Beneficial Corporation Annual Report 1987

A Year Of Accomplishment

About Beneficial

Beneficial Corporation provides consumer finance services through its various operating subsidiaries with 1,074 offices located throughout the United States and in Canada, the United Kingdom, and West Germany. During 1987 total receivables grew $660 million, or 12%, to exceed $6 billion. Real estate secured loans are Beneficial's key growth market and represent 63% of total receivables outstanding.

Contents

Years Ended December 31	1987	1986	1985	% Increase (Decrease) 1987 over 1986	% Increase (Decrease) 1986 over 1985
(in millions, except per share amounts)					
Net Income (Loss)					
Income from Continuing Operations	$ 140.2	$ 77.2	$ 72.5	81.6	6.5
Income (Loss) from Discontinued Operations	2.0	(268.2)	28.7	–	–
Extraordinary Items:					
Use of Tax Loss Carryforward	41.4	–	–	–	–
Early Retirement of Debt	(9.0)	–	–	–	–
Cumulative Effect of Accounting Change	–	19.4	–	–	–
Net Income (Loss)	$ 174.6	$ (171.6)	$ 101.2	–	–
Earnings (Loss) per Common Share					
Continuing Operations	$ 5.58	$ 2.77	$ 2.52	101.4	9.9
Discontinued Operations	.09	(11.93)	1.30	–	–
Extraordinary Items:					
Use of Tax Loss Carryforward	1.81	–	–	–	–
Early Retirement of Debt	(.39)	–	–	–	–
Cumulative Effect of Accounting Change	–	.86	–	–	–
Earnings (Loss) per Common Share	$ 7.09	$ (8.30)	$ 3.82	–	–
Dividends per Common Share	$ 2.00	$ 2.00	$ 2.00	–	–
Shareholders' Equity (includes redeemable preferred stock)	885.3	808.1	1,042.0	9.6	(22.4)
Finance Receivables	6,033.7	5,373.8	4,832.7	12.3	11.2
Allowance for Credit Losses as a Percentage of Finance Receivables	3.47%	3.62%	3.92%	(4.1)	(7.7)

With the reporting of our 1987 results, Beneficial Corporation completes a year of great activity and significant achievement. During the year we completed a massive restructuring of our business, focusing on our core consumer finance operations and divesting all unrelated activities, including our major bank credit card, annuity insurance, and property and casualty insurance subsidiaries. We will now concentrate fully on our traditional highly-profitable consumer credit business.

Through our restructuring program we received net cash proceeds to the Company (including repayment of intercorporate advances) of almost $1.2 billion, nearly all of which was used to pay down debt and fund growth in our basic business. In so doing, our financial condition has been dramatically improved.

Contributing significantly to our balance sheet improvement was an exceptional earnings performance as Beneficial's net income exceeded $174 million for the year, the highest net income in the Company's history. On a per share basis, net income reached $7.09, in sharp contrast to last year's net loss of $8.30 per share. Of prime importance, earnings per share from continuing operations were also at a record level, increasing 101% to $5.58 from $2.77 a year earlier. Even removing the one-time after-tax benefits of $32.6 million ($1.44 per share) related to interest income on a favorable settlement of prior year federal income taxes, earnings per share from continuing operations were $4.14, an excellent gain of 49% over 1986.

The particularly rapid progress we made in completing our restructuring program during 1987 now allows us to focus on our core consumer finance business. We have begun to reduce our real estate investment portfolio by either sales or contracts for sale. The Trammell Crow organization has been brought onto Harbour Island, and significant steps have been taken to reduce the operating deficits there. We will continue to withdraw from all active real

Finn M. W. Caspersen
Chairman of the Board and Chief Executive Officer

estate investment and development participation, but in an orderly manner designed to maximize our long-term total return.

Consumer finance activities have been our mainstay since Beneficial's birth and have been highly profitable virtually year in and year out. The profitability and credit quality of our basic consumer lending operations have steadily improved over the last few years, but their outstanding performance has been largely masked by the problems in our divested subsidiaries.

Consumer lending is the business we do best. This is our franchise. It remains a vibrant, highly-profitable, huge market of more than $600 billion in the United States, in which Beneficial holds a powerful position, yet has ample opportunity to increase market share. In stark contrast to the dramatic concerns expressed in the media about the state of the American consumer, particularly after the "Black Monday" stock market crash, we ended the year with the lowest loan delinquency in the Company's history and a net chargeoff ratio for the year just slightly over 1%. The financial condition of our target customers, middle-income Americans with incomes between roughly $20,000 to $50,000, is healthy. Beneficial's seven decades of experience indicate that the middle-American consumer is an astute and careful manager of his or her financial affairs, reacting quickly to changes he or she scents in the economic winds. While we do foresee somewhat slower receivables growth in 1988 as the pace of consumer spending likely abates, we foresee no substantial deterioration in credit quality.

More so than ever before, credit quality has become a watchword for Beneficial, reflecting its key influence on both our profitability and balance sheet strength. Over the past five years, our net chargeoff and overall delinquency ratios have improved dramatically. At the same time, the receivables portfolio of our continuing consumer loan operations has increased by more than 60%. With 63% of our portfolio in high-quality real estate secured homeowner loans, the future outlook for credit quality remains excellent.

The overall outlook for the consumer credit market in the foreseeable future appears excellent as well. Although subject to normal cyclical fluctuations, growth in the market should be healthy, driven by the powerful demographic factor of continued strong growth in the 25-54 year old age group, our target market. While the business remains intensely competitive, with noticeable pressure on rates of charge, we continue to offset that pressure through operating efficiency and high credit quality. Our significant past investments in computer systems allow us to service our customer with a high degree of efficiency. Moreover, despite the competition, we continue to be able to originate both high-quality and high-yielding loans. In 1987 the average gross yield on our portfolio was over 18%. Consumers will pay a modest increment for the attentive, caring and quick service our office personnel provide.

Those men and women staffing our 1,074 offices are the heart of Beneficial. Their dedication, experience and professionalism are our key assets. It is through their efforts in providing exceptional service to generations of consumers that our powerful franchise in the consumer credit marketplace has been built.

During 1988 we begin installation of Bencom III, a state-of-the-art system of new software and hardware that will maximize operating efficiencies and sales effectiveness in the loan offices. When fully implemented, Bencom III is expected to increase efficiency in the field by almost 30%, key to maintaining and building our future profitability.

In July of 1987 David J. Farris, a member of the Office of the President and Chief Executive Officer of our Beneficial Management Corporation subsidiary, was elected Chief Operating Officer of Beneficial Corporation, a new post. Mr. Farris' promotion reflects the exceptional progress made during his leadership over the last 5 years in our core consumer lending business and properly reflects his management position in the new, restructured Beneficial. Also during 1987, James H. Gilliam, Jr., Senior Vice President, General Counsel and Secretary,

who has served as a director of Beneficial since 1984 and has been a key member of the management team, was elected to the Executive Committee of the Board.

At the close of the year, several additional changes were made in the Executive Committee of the Corporation. Gerald L. Holm, Vice Chairman, retired from his management position after 18 years service. Mr. Holm played perhaps the key role in our corporate restructuring, overseeing the sales of the companies which generated the lion's share of the restructuring proceeds and had reported to him in the corporate structure. Also at year end, Robert A. Tucker and Charles H. Watts II stepped down from the Executive Committee after 18 and 11 years, respectively, of exceptional service as Executive Committee members to devote more time to personal pursuits. We are fortunate that Messrs. Holm, Tucker and Watts all have agreed to remain as Directors of Beneficial.

These moves reflect the more focused, new Beneficial. Membership of the Executive Committee now consists of Mr. Farris, Mr. Gilliam, Andrew C. Halvorsen, a member of the Office of the President and Chief Financial Officer, and myself.

Beneficial enters 1988 in virtually the strongest position—both financially and operationally—that it has ever been in. The quality of our receivables portfolio has never been higher. The skills, professionalism and cohesiveness of our management team, both in the field and at headquarters, have also never been better. The risks inherent in property and casualty reinsurance and the other divested businesses are gone. We thank you, our fellow stockholders, for your support during our period of redirection. This year's record results speak for themselves. We look forward to even better results in 1988 and beyond. We are dedicated to increasing the fundamental earning power of Beneficial and thus maximizing the long-term value of your investment.

FINN M.W. CASPERSEN
Chairman of the Board and
Chief Executive Officer

Executive Committee (left to right):
David J. Farris, James H. Gilliam, Jr., Andrew C. Halvorsen, Finn M. W. Caspersen

David J. Farris
Member of the Office of the President and Chief Operating Officer

A Message from Dave Farris

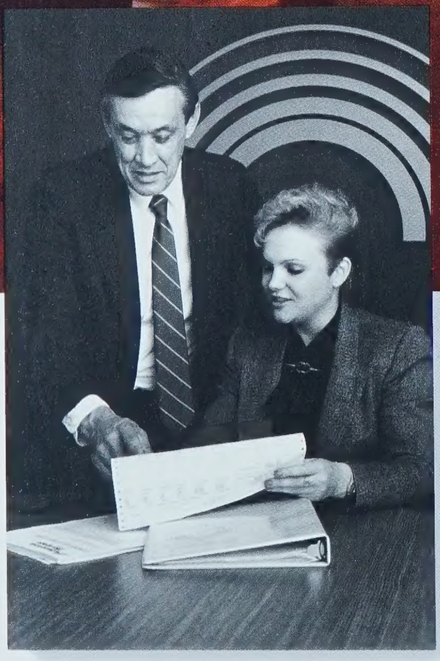
As we were in the process of reorganization, several commentators noted that we were returning to our basic consumer finance business. Not so! We never left that business! That business was so strong, in fact, that it carried Beneficial through the ordeals that necessitated restructuring. We believe it and its people are "something special."

For 74 years Beneficial has been creating and building on excellence, focusing on customer care. Beneficial has been entrusted with a fragile gift — the confidence of families. Families seeking only this: fair treatment, prompt service, and equitable terms. This confidence is something that can't be bought or sold; it must be earned, and it is something that Beneficial has earned in abundance from over three generations of borrowers. It is something we shall continue to earn from future generations as we continue doing what we do best — caring and working to enable people to realize their dreams.

Most Valuable Asset — Our Human Resources

Five years ago we had 1,440 offices and receivables of $3.7 billion. At the end of 1987 we had $6.0 billion receivables in 1,074 offices. Beginning in 1981 we took steps to increase efficiency by eliminating operations that did not meet profitability standards and by consolidating existing operations to capitalize on economies of scale. Despite the reduction in the number of offices, we were able to achieve outstanding growth in receivables. This exceptional growth was concentrated in real estate secured products and was accompanied by a dramatic increase in the quality of the portfolio as delinquency and chargeoffs were reduced by half. This success is based on our most valuable asset — our human resources. The women and men in our offices are indeed "something special." I am very proud to call these individuals my associates and friends.

The primary responsibility for developing operating plans rests with our ten Group Presidents. Each year they develop plans for growth, margins, and credit quality.



Beneficial instituted a program in 1984 to recruit highly talented young people from college campuses and to offer them a fast track program to management levels.

It is not possible to preserve that "something special" about Beneficial men and women without providing support for their continued growth. Much of tomorrow's success rests on the human resources we are cultivating today. Besides offering a core curriculum of training programs to field personnel, which centers on customer-focused sales, product knowledge, management, and leadership, Beneficial has instituted programs that go beyond traditional training.

Emphasis on Career Paths

Our Branch Managers and Field Executives are the critical "front line" to which we entrust our tradition of customer care. Career path planning for these skilled individuals is a top priority for Beneficial, and we have evolved effective succession planning and developmental training for them.

Designed to complement the traditional career path, the Accelerated Management Program (AMP) marks its fourth year with the coming of 1988. The objective of the AMP program is to recruit a limited number of highly talented college graduates for a fast track ascent to management levels.

In 1987 an expanded training program for District Manager candidates was implemented. A District Manager (DM) supervises approximately ten offices and is the Field Executive closest to our customer. Under the new training program, DM candidates complete an intensive six months of combined field and headquarters training. After training, each graduate is fully qualified to manage a district and assume a place within the formal succession plan for that function.

Through several years of organizational and training development, an expanded and exciting array of career path opportunities has been opened up for our field employees. We look forward to continuing this process, thus assuring that we recognize and utilize their tremendous talents to the fullest.

Our distribution network consists of over 1,000 loan offices located throughout the United States and in Canada, the United Kingdom and West Germany.

A state-of-the-art computer system, Bencom III, will enable our loan office personnel to provide an even higher level of service to a greater number of customers.

Planning For Success

Another key ingredient to success is planning. In today's competitive environment, the winners plan and only the planners win. At Beneficial, the primary responsibility for developing operating plans rests with our ten Group Presidents. These individuals each supervise regions with hundreds of millions of dollars outstanding. They are an experienced, highly qualified group of individuals committed to making Beneficial the best company possible.

Each year they develop plans for growth, margins, and credit quality. This decentralized approach allows for a focused course of action based on regional environments. The needs of our customers in California may be different than the needs of our customers in Pennsylvania, than our customers in Ontario.

The Man On Main Street

Charles Watts, Sr., who was President and Chairman of the Board of Beneficial Corporation from 1929 to 1955, often referred to our customers as "the man on Main Street." He was . . . he still is . . . and, of course, "she" is now too.

Main Street has changed, but the customer hasn't. The average Beneficial customer is 39 years old, earns $28,000 annually, is married with two children, and has a high school education. Beneficial satisfies the credit needs of this customer for major purchases, education, debt consolidation, home improvement, and home purchases.

A key source of new loan customers is our sales finance customer base. These accounts are originated through merchants, and the sales contracts are purchased by Beneficial. The contracts provided 50% of the new loan customers in 1987.

Once again this tactic works because of service — service to our dealers and service to our customers.

Direct mail solicitation has become an increasingly important marketing tool for Beneficial. With proper targeting, direct mail is a very efficient source of new business.

Through a variety of products, Beneficial satisfies the credit needs of its customers for major purchases, education, debt consolidation and home improvement.

Credit Insurance

In addition to serving the financial needs of our customers, Beneficial also meets their need for credit insurance. The Company's credit insurance subsidiary, The Central National Life Insurance Company of Omaha, ranks among the industry leaders in the highly specialized consumer credit insurance markets. Its insurance products include credit life and credit accident and health insurance. These products are marketed through the domestic Beneficial finance office network, as well as through an independent credit distribution system. This focus allows product development efforts that better serve the needs of our customers while allowing Beneficial to maximize its return on capital. As Beneficial is both the originator and the underwriter, this business is extremely profitable.

Efficient Source Of New Business

Direct mail solicitation has become an increasingly important marketing tool for Beneficial. With proper targeting, direct mail is a very efficient source of new business. The incremental gain directly attributable to this source was in excess of $100 million in 1987.

Beneficial's average office has $5.3 million of loans outstanding. With an average of 4.5 employees, this translates into $1.2 million cash invested per employee, up dramatically from the 1982 level of $.7 million. This impressive increase in productivity has been achieved without the benefit of major technological improvements in the offices.

State Of The Art Computer System

The existing data processing system, Bencom II, is an on-line network which connects all the field offices with the computer. It has been an efficient

system in its ability to handle very high transaction volumes and store millions of data records. However, at the branch level, office employees must still manually maintain account cards for each customer. These account cards serve as a payment reference and a source of notes from telephone conversations. In addition, files on demographic information and records of new business solicitations are maintained manually. This effort takes time away from what the branch employees do best — working with current and prospective customers.

In 1988, a state of the art computer system, Bencom III, will be installed in the offices. This system will be screen-based, and all information regarding customer or prospective customer records will be retrievable directly from the terminal. We will be able to provide an even higher level of service to a greater number of customers without increasing staff levels.

There is no secret to Beneficial's outstanding quality growth over the past several years. We know who our customers are; we know what they want; and we work energetically to satisfy their needs. Our Branch Managers have an average length of service in excess of twelve years and have matured in a business culture that dictates prompt, efficient and caring service to the customer. We do not take our customers for granted and have traditionally treated them with the respect and courtesy that is now in vogue for others to advertise but rarely deliver.

We have succeeded in the face of a significantly increased competitive environment. There are many new entrants onto the financial services playing field. There is a difference, however. Our players are better. They are "something special."

Contents

Review of Fourth Quarter Results

Beneficial Corporation's fourth quarter earnings from continuing operations increased dramatically, rising more than five-fold to $36.7 million from a restated $7.0 million in 1986. Related earnings per share for the quarter were $1.49, compared to prior year earnings of $0.14 per share. Including a $1.7 million extraordinary loss on repurchase of high-coupon long-term debt, net income for the quarter was $35.0 million ($1.42 per share), sharply improved from the $103.7 million ($4.77 per share) net loss recorded in the 1986 period. The 1986 results include $130.1 million in losses from discontinued operations and a credit of $19.4 million from an accounting change.

The prior year fourth quarter income from continuing operations reflects a $10.2 million pre-tax charge for restructuring costs related to Beneficial's continuing operations and a particularly high effective tax rate due to reversal of tax credits previously recorded because of the large provision for loss on restructuring taken at year end. Conversely, 1987 fourth quarter results benefited from utilization of tax credits as pretax income was strong. Also, 1987 results include an additional $14.4 million in interest income related to a refund of 1976 and 1977 federal income taxes. On an after-tax basis, this benefit added $8.6 million, or $0.38 per share, to the quarter's earnings. The refund results from a favorable decision by the United States Court of Appeals for the Federal Circuit upholding the method the Company used to determine its credit losses for federal income tax purposes. During the second quarter of 1987 the Company booked an estimated $40.0 million in pre-tax interest income ($24.0 million after-tax) as a result of this decision, and the fourth quarter credit completes recognition of the actual benefit from this item. Before the benefit of interest income on the tax recovery, fourth quarter earnings per share of $1.11 from continuing operations were also up strongly from the prior year level and are comparable to third quarter earnings per share from continuing operations of $1.15.

Fourth quarter operations were marked by strong receivables growth and exceptional credit quality. During the quarter, total receivables outstanding increased $304 million, compared to an increase of $246 million in the fourth quarter of 1986. Removing the benefits of foreign exchange translation in the environment of a weaker dollar in both quarters, the 1987 quarterly gain was $249 million, slightly above the 1986 advance of $236 million.

Impressively, overall loan delinquency ended the year at the lowest level in the Company's history. Loan balances more than two months overdue, on a recency basis, were 0.61%, down from 0.70% at September 30, 1987 and 0.74% at the end of 1986. Net chargeoffs for the quarter decreased to $16.0 million from $18.5 million in the fourth quarter of 1986. As a percentage of receivables, net chargeoffs declined significantly to 0.26% from 0.34% of receivables a year earlier.

Financing

The focus of Beneficial's money and capital market activities during 1987 was on improving the quality of the Company's balance sheet and maximizing the use of proceeds from the sale of assets related to the restructuring. Total net proceeds received by the Company in connection with the restructuring and from tax refunds during 1987 were $1.2 billion, with over 90% of that amount being received in July upon the closings of the sales of Beneficial National Bank USA and Western National Life. Substantially all of the proceeds were used to pay down debt and to fund growth in the Company's loan portfolio.

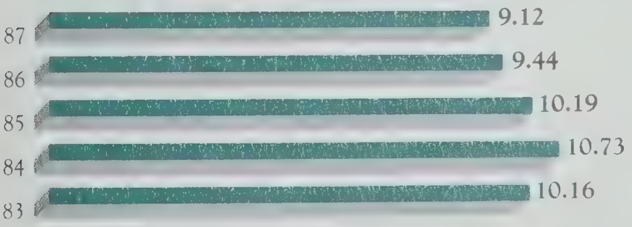
Funding Base

(in millions)	12/31/87	% of Total	12/31/86	% of Total
Short-Term Debt				
U.S. Currency	$1,757.4	32.5%	$1,915.0	32.2%
Foreign Currencies	300.8	5.6	188.0	3.2
Total Short-Term Debt	2,058.2	38.1	2,103.0	35.4
Deposits Payable	188.7	3.5	158.1	2.7
Long-Term Debt	3,152.8	58.4	3,678.8	61.9
Funding Base	$5,399.7	100.0%	$5,939.9	100.0%

During the second half of 1987, the Company completed a highly successful term-debt repurchase program, buying a total of $241 million principal amount of long-term debt in the open market with an average coupon of 10.88% and an average remaining maturity of 17 years, thereby shortening the duration of Beneficial's liability structure. Almost all of the balance of the restructuring proceeds were used to pay down maturing long-term debt, which totalled $401 million in 1987, and to reduce commercial paper outstandings and bank borrowings.

The Company also spent $21.4 million to repurchase 594,100 common shares (an average price of $35.99 per share) during November and December following the stock market's severe correction in October. Finally, $16.7 million of the 9.25% preferred stock was redeemed in November. Reflecting all of the above influences, the Company's balance sheet leverage ratio improved dramatically from 7.35 times at the end of 1986 to 6.10 times at December 31, 1987. Including the Company's substantial credit loss reserve as part of capital, this ratio improved to 4.93 times at December 31 from 5.93 times at the end of 1986.

Average Worldwide Cost of Funds
(percent)



As a result of 1987's balance sheet restructuring, the Company has modestly decreased the average cost of its outstanding fixed-rate, long-term debt from 10.13% at year-end 1986 to 10.06% at the end of 1987 and the average remaining maturity from 6.9 years to 5.7 years. In December the Company announced that it was calling for early redemption, on January 15, 1988, all of its $75 million principal amount 13-3/8% Debentures due July 15, 1991. Beneficial expects to be an active participant in the capital markets during 1988, both to fund the expected growth in the core consumer lending business and to repay maturing long-term debt.

Money market activities during the year focused on expanding the customer base of our direct issuance commercial paper program. Total domestic commercial paper at December 31 was $1.68 billion, up from $1.56 billion at the end of 1986. Despite the downgrading of its commercial paper early in 1987 as a result of the losses reported in connection with the restructuring, the Company successfully competed in the commercial paper markets and added a number of new, significant customers to its investor base. This was particularly gratifying in view of the fact that Beneficial is one of the nation's very largest "A2/P2" – rated direct issuers of commercial paper and uses no agents in the placement of its paper. The Company continues to maintain 100% coverage of its domestic commercial paper outstandings, with committed revolving lines of credit affording a high degree of support and liquidity to the commercial paper program.

Beneficial's worldwide cost of short-term debt, including the cost of maintaining bank lines and revolving credit facilities, was 7.38% in 1987, virtually unchanged from 7.40% in 1986. In the United States, the cost of short-term debt was 7.27%, up from 7.05% in 1986. Beneficial maintains bank lines of credit and committed revolving credit facilities in the U. S. totaling almost $1.9 billion, virtually all of which is in the form of committed revolving credit facilities with 62 major U.S. and foreign banking institutions. At the end of 1987 unused credit lines in the U.S. totaled $1,768 million and were approximately 107% of the total dollar amount of commercial paper outstanding. Bank lines of credit maintained in Canada, the United Kingdom and West Germany total $342 million.

Consumer deposits currently play a relatively minor role in Beneficial's funding base, totaling $189 million. Deposits are acquired through the Company's FDIC-insured Beneficial Savings Bank FSB, a federally chartered savings bank in Florida, from trust and savings operations in the United Kingdom, and from employee thrift accounts (the largest source), which account for 42% of total deposits.

During 1987 Beneficial's worldwide melded average borrowing cost, including bank line and revolving credit commitment fees, declined to 9.12% from 9.44% in 1986. Beneficial's average quarterly borrowing costs for all debt for 1987 and the prior four years is presented in the table below.

Average Cost of Funds

	1987	1986	1985	1984	1983
1st Quarter	**8.96%**	10.02%	10.49%	10.49%	10.01%
2nd Quarter	**9.01**	9.65	10.38	10.70	10.03
3rd Quarter	**9.21**	9.14	9.96	10.96	10.27
4th Quarter	**9.31**	9.02	9.95	10.75	10.30
Full Year	**9.12%**	9.44%	10.19%	10.73%	10.16%

Beneficial's asset/liability management philosophy is to minimize exposure to interest rates to the greatest extent practicable. As a general rule, fixed-rate assets are funded with fixed-rate debt and equity, while variable-rate assets are funded with commercial paper borrowings, bank debt, deposits, and other variable-rate borrowings. The Company considers both the "gap" between its interest-sensitive assets and liabilities, as well as the duration of its assets and liabilities, in managing exposure to interest rate risk.

A conservative posture is also maintained in foreign exchange exposure management. Beneficial's firm policy is not to speculate on foreign exchange. Foreign subsidiaries are funded in their local currencies. Moreover, net investment positions in foreign currencies are hedged to the largest extent practical. Beneficial's open currency exposures at year end were quite modest relative to the scope of its operations outside the United States, consisting of net long positions of 28 million Canadian dollars and 9 million Deutsche marks and a net short position of 10 million pounds sterling.

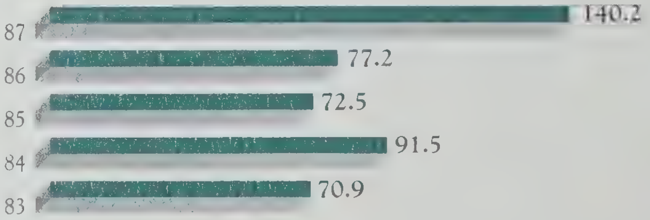
Beneficial's senior debt is rated A– by Standard & Poor's Corporation, 7 (A– equivalent) by Duff & Phelps, and BAA2 by Moody's Investors Service. Commercial paper is rated A2 by Standard & Poor's Corporation, Duff 1– by Duff & Phelps, and P2 by Moody's Investors Service. The Company's debt ratings have recently been reaffirmed by all three rating agencies, and the Company is hopeful that its ratings will improve during 1988.

Review of 1987 Earnings

1987 and prior year results presented in this report have been restated for the discontinuance of leveraged leasing operations as announced during 1987. On this basis, Beneficial Corporation's earnings from continuing operations increased an excellent 82% to $140.2 million from $77.2 million in 1986, and earnings per share from continuing operations increased 101% to $5.58 from $2.77 in 1986. As previously disclosed, 1987 results include a total of $32.6 million in after-tax credits ($1.44 per share) from interest income related to a refund of 1976 and 1977 federal income taxes. However, even before the benefit of this item, full year earnings per share from continuing operations increased 49% to $4.14.

Income from Continuing Operations

(in millions)



Overall net income for Beneficial reached $174.6 million, a record level, compared to the net loss of $171.6 million recorded in 1986 when the Company made a major addition to reserves of its property and casualty insurance business and made a major provision for losses on the planned disposal of several major subsidiaries. 1987 net income includes $41.4 million in extraordinary credits from utilization of tax loss carryforwards, $9.0 million of extraordinary losses on repurchase of term debt, and $2.0 million in earnings from discontinued operations.

Operating results are analyzed in detail in the following sections.

Profitability Analysis

The table on the following page analyzes profitability dynamics for continuing operations for the past five years, presenting major categories of income and expense as a percentage of the average principal balance of receivables. This table illustrates the influences producing profitability trends since 1983. The data has been restated from prior years to reflect a consistent series for Beneficial's continuing operations.

During 1987, total receivables outstanding for Beneficial grew an excellent $660 million, or 12%, to exceed $6.0 billion. As has been true in recent years, strongest growth occurred in real estate secured loans, which increased $401 million, the largest portion of which was written at variable rates. However, high-yielding personal loans also increased $245 million, with growth in these accounts accelerating in the fourth quarter. Reflecting a repositioning of the dealer base, sales finance outstandings were essentially flat.

Receivable gains of $79 million, $6 million, and $90 million were recorded in Canada, the United Kingdom and West Germany, respectively, before the effect of foreign exchange translations. In the environment of the dramatically weaker dollar experienced in 1987, foreign exchange added $95 million in total to the year's receivables increase.

Also, the gain in West Germany includes an $87 million increment for the acquisition of Munich Kreditbank from BHF-Bank of West Germany. For the full year, Beneficial's worldwide average receivables were $5,622 million, up 11% from the prior year level of $5,083 million.

Beneficial's lending spread (roughly equivalent to a bank's net interest margin) declined in 1987 to 9.96% from 10.55% in 1986, reflecting the competitive environment for real estate secured loan products. Finance charges and fees, although remaining at a high absolute level, fell to 18.34% of receivables from 19.18% in 1986, reflecting the fall in the general level of interest rates and the aforementioned competitive environment for real estate lending. Interest expense as a percentage of receivables declined more slowly, producing the pressure on the lending spread.

Profitability Analysis

December 31	1987	1986	1985	1984	1983
Average Receivables (a)	$5,621.6	$5,082.8	$4,535.6	$4,307.8	$3,877.5
% of Average Receivables					
Finance Charges and Fees	18.34%	19.18%	20.00%	20.72%	21.57%
Interest Expense	8.38	8.63	9.53	10.04	9.88
Lending Spread	9.96	10.55	10.47	10.68	11.69
Insurance Premiums	1.83	1.78	3.14	3.09	4.40
Interest Income from Tax Settlement	.97	–	–	–	–
Other Revenues	.95	1.37	1.34	1.48	1.17
Gross Spread	13.71	13.70	14.95	15.25	17.26
Salaries & Employee Benefits	3.65	3.77	3.91	3.99	4.44
Insurance Benefits	.92	1.03	2.17	2.31	3.21
Provision for Credit Losses	1.23	1.26	1.17	1.06	1.95
Other Operating Expenses	4.04	4.86	4.91	4.68	4.76
Total Operating Expenses	9.84	10.92	12.16	12.04	14.36
Operating Income	3.87	2.78	2.79	3.21	2.90
Provision for Taxes	1.38	1.26	1.19	1.09	1.07
Income from Continuing Operations	2.49	1.52	1.60	2.12	1.83

(a) In millions. Net of unearned finance charges.

Insurance premium revenue as a percentage of receivables was up slightly from 1986. Both years were distorted by the cancellation of annuity reinsurance contracts by Central National Life. Absent these cancellations, credit insurance premiums written increased significantly during the year. Other revenues were quite soft, despite strong growth in insurance investment income, reflecting losses in Beneficial Mortgage Corporation, the Company's mortgage banking subsidiary, and in Harbour Island, Inc., the real estate project in Tampa, Florida. Comparisons also suffered because of the sale in 1986 of domestic tax preparation activities. The gross spread benefited from $54.4 million in pre-tax interest income ($32.6 million after-tax) related to the aforementioned favorable ruling in the tax case settlement upholding the Company's method for determining its credit losses for federal income tax purposes.

Expense control continued strong in 1987. Despite normal merit salary increases, salaries and employee benefits declined to 3.65% of average receivables from 3.77% in 1986. Other operating expenses, including rent, advertising, telephone, depreciation, and all other operating costs, decreased significantly to 4.04% of average receivables from 4.86% a year ago. Removing the $10.2 million fourth quarter provision for restructuring costs from 1986 totals reduces that year's expense ratio to 4.66%, still significantly above 1987's level.

Operating Expense Ratio

(percent)

The overall operating expense ratio (the total of all non-interest operating expenses, excluding the provisions for credit losses and for insurance benefits, as a percentage of average receivables) declined significantly to 7.69% from 8.63% (8.43% as adjusted for the fourth quarter charge) in 1986. Noteworthy is the substantial improvement in this ratio since 1983 when it totaled 9.20%.

The insurance benefits ratio is distorted by the previously mentioned cancellations of certain annuity reinsurance contracts; however, the cancellations had virtually no effect on income as the reduction is approximately matched by the decrease in premium revenue. Overall credit insurance loss ratios improved moderately in 1987, and total credit insurance underwriting profits increased substantially.

The provision for credit losses as a percentage of average receivables decreased marginally to 1.23% in 1987 from 1.26% last year. Overall net charge-offs were $64.7 million, or 1.09% of average gross receivables, in 1987, compared to $58.5 million, or 1.09%, in the prior year. However, overall loan delinquency statistics improved substantially, reflecting the high quality of Beneficial's consumer loan portfolio. Overall delinquency at year end was at the lowest level in the Company's history and reflected significant improvement during the fourth quarter.

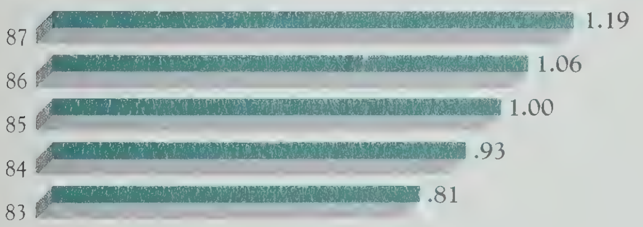
Pre-tax operating income, as a percentage of average receivables, increased to 2.90% from 2.78% a year earlier, excluding the benefit of the tax settlement in 1987. Reflecting a significantly lower effective tax rate in 1987 (35.6% vs. 45.4% in 1986) as significant tax credits were utilized, the after-tax return on average receivables improved to an excellent 1.91% from 1.52% in 1986, again totally removing the one-time benefit of the tax settlement. Removing the after-tax effect of the special $10.2 million restructuring provision in 1986, that year's net after-tax return on average receivables was 1.63%, still well below the 1987 profit ratio.

Consumer Finance Office Network

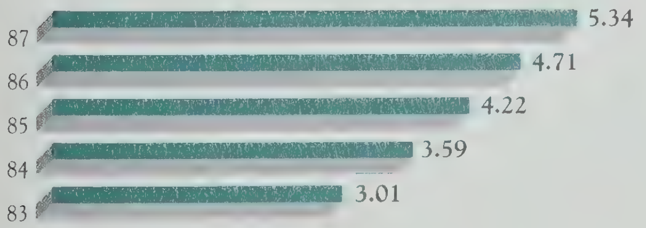
In the United States, Beneficial's consumer loan office network consisted of 903 offices in 39 states at year-end 1987, compared to 930 offices in 38 states at the end of 1986. Geographically, California is a particularly important state with 34% of total U. S. receivables, while significant concentrations of outstandings also exist in the states of New York (8%), Pennsylvania (7%), Ohio (7%), Texas (4%) and Florida (4%).

Operating efficiencies at the loan office level continued to improve in 1987. At year end, the key measure of cash invested (principal of finance receivables) per employee rose to $1.19 million from the prior year level of $1.06 million. This ratio has doubled since 1981. Cash invested per office increased to $5.3 million from $4.7 million at December 31, 1986.

Cash Invested per Employee
(in millions)



Cash Invested per Office
(in millions)



Real Estate Secured Loans

Real estate secured loans continue to be Beneficial's key growth market and largest category of loans outstanding. During 1987 homeowner loans outstanding increased 12% to total $3.8 billion at year end, 63% of Beneficial's total receivables outstanding. As has been true in recent years, strong growth occurred in the real estate secured revolving line of credit, where outstandings increased to $1.47 billion at year end, up from $1.30 billion a year earlier. These loans, which are chiefly written on a variable-rate basis at a spread over bank prime, provide borrowers with a pre-approved line of credit, secured by the equity in their homes, which is accessed by the borrower via a personal checkbook issued by Beneficial National Bank, Beneficial's commercial banking subsidiary.

Beneficial's real estate secured loans are subject to careful underwriting of both the borrower and the property and can really be considered well-made consumer loans based solely on the income of the borrower, with the collateral of the real estate providing additional security. Nevertheless, Beneficial will lend to a cap of only 75% (including the existing first mortgage) of the appraised value of the home as determined by independent, outside appraisers. In addition, a rigorous discipline of credit approval is enforced. Most real estate secured loans must also be approved by regional management as well as by the originating office manager. The largest loans must also be approved by a senior vice president at headquarters. Reflecting these procedures, real estate secured loan net chargeoffs are extremely low. In 1987, including losses on disposition of foreclosed property, real estate secured loan net chargeoffs averaged only 0.21% of average outstandings. Similarly, delinquency ratios are particularly low.

The average real estate secured loan made in 1987 increased to $23,256 from $22,142 in 1986. Despite active rate competition for these highly attractive loans, the average yield on real estate secured loans written was 14.89%, compared to 15.12% in 1986. Profitability of real estate secured lending is excellent, reflecting the very low credit losses and maximized operating efficiencies. Operating costs per dollar loaned for the inherently larger-sized real estate secured loans is significantly less than for unsecured lending.

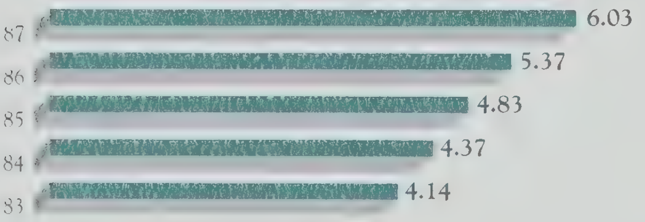
Principal of Finance Receivables

at December 31 (in millions)	1987	1986	1985	1984	1983
Real Estate Secured Loans	**$3,773.0**	$3,372.1	$3,035.6	$2,836.8	$2,651.8
Personal Unsecured Loans	**1,804.7**	1,559.7	1,380.5	1,220.6	1,272.6
Sales Finance Contracts	**456.0**	442.0	416.6	311.2	218.0
Total	**$6,033.7**	$5,373.8	$4,832.7	$4,368.6	$4,142.4

Unsecured Personal Loans

Unsecured personal loans outstanding, including both revolving credit line accounts and closed-end, fixed-term loans, increased $245 million to $1.8 billion at year end and represent 30% of total receivables outstanding. Personal loan growth was particularly strong in the fourth quarter, accounting for most of the year's gain in the category. The average-size personal loan made in 1987 was $2,133, compared to $2,049 in 1986. The average yield on unsecured personal loans written in 1987 was an excellent 24.95%, down only slightly from 25.14% in 1986.

Total Receivables Outstandings
(in billions)



Sales Finance Activities

Sales finance accounts represent an extremely important source of new loan customers for Beneficial. In 1987, 50% of all new loans were made to customers who first established a relationship with Beneficial as sales finance customers.

Sales finance contracts are those generated by retailers to customers who purchase goods on credit. The programs are presented to merchants under the business name of Bencharge Credit Service. Bencharge markets two programs: 1) a private label revolving charge program in which the merchant's customers receive a charge card that has the store's name on it, and 2) a closed-end program, which has a starting date, term, and fixed maturity date.

In the revolving charge program, a merchant's customer can receive a credit line up to $5,000. When the store's charge card is presented, the merchant obtains credit approval via a credit authorization terminal or through a toll-free phone call. In both the revolving charge and closed-end programs, merchants have access to Bencharge's SNAP Center (System for New Account Processing) to obtain initial credit approval on a new customer within minutes 7 days a week. Retailers are provided with training to improve their credit sales techniques, as well as credit marketing programs to increase sales.

Bencharge's strategy is to target "high ticket" merchants who attract quality credit customers. In this manner, the potential for cross-selling Beneficial products is maximized. Furniture, home electronics and appliance stores are primarily targeted.

In 1987, Bencharge purchased nearly 590,000 contracts worth nearly $500 million. Indicative of the high ticket purchase, the average new contract was $824. The revolving charge program exhibited solid growth of $44 million and now represents 43% of total sales finance receivables. Due to the elimination of unprofitable merchants (primarily in the closed-end program), outstandings increased only modestly by $14 million to $456 million. The program of improving the overall quality base of merchants began in 1983, and Bencharge has achieved a major refocusing in the merchant base. This program will continue in 1988.

Sales finance will remain a key source of new customers in the future, and major programs are currently underway to further enhance profitability and growth opportunities in sales finance operations.

International Operations

As denominated in dollars, finance receivables outside the U. S. increased $270 million during 1987 to reach $887 million at year end, or 15% of the corporate total. Included in 1987's growth is the purchase of MKB Bank in Munich, West Germany, a consumer banking operation that added $87 million to the existing West German operation. Also, foreign exchange translation in the environment of the extremely weak dollar in 1987 added $95 million to the receivables growth.

Operations in Canada represents Beneficial's largest foreign operation, with $424 million in receivables. The Canadian operation consists of 105 offices located throughout the country, although the provinces of Ontario and Quebec represent nearly 75% of total Canadian outstandings. Marketing efforts focus on high-quality real estate secured loans, which make up 64% of total outstandings.

The Company's United Kingdom operating subsidiary, Beneficial Trust & Savings, is a consumer banking operation offering consumer loan, sales finance, bank credit card, and deposit services to consumers. Total receivables of $248 million at year end were gathered through 57 offices concentrated in the London, Midlands and Southeast regions.

BFK Bank, the original West German operation, was roughly doubled in size by the acquisition of MKB Bank. The addition of MKB, which has a somewhat broader banking license, will allow BFK to take consumer deposits. BFK now has 9 offices in 8 cities, with total receivables of $215 million.

The table below outlines recent year receivables totals.

Foreign Finance Receivables

(in millions)	**12/31/87**	12/31/86	12/31/85
Canada	**$424.0**	$324.3	$270.4
United Kingdom	**247.6**	190.2	169.9
West Germany	**215.0**	101.9	74.7
Total	**$886.6**	$616.4	$515.0

Credit Loss Experience – Condition of the Portfolio

Beneficial's characteristically excellent credit quality continued in 1987, with overall portfolio delinquency at year end at the lowest level in the Company's history. At December 31, 1987, consumer loan balances (including real estate secured and unsecured loans) more than two months delinquent, on a recency basis, were 0.61%, down from 0.70% at September 30, 1987, and 0.74% at the end of 1986. The table below summarizes various credit quality measures for recent years.

Credit Quality Measures

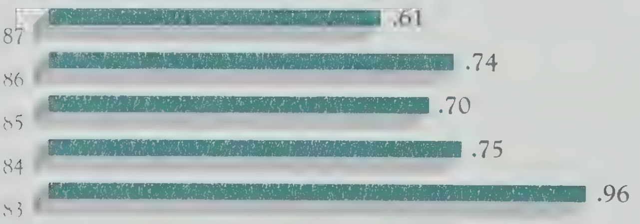
(in millions)	Finance Receivables Charged Off (a)			Allowance for Credit Losses at End of Year		Delinquency
Year	Gross Amount of Receivables Charged Off	Net Chargeoffs	% of Average Gross Finance Receivables	Amount	% of Finance Receivables at End of Year (b)	Consumer Loan Receivables More Than Two Months Delinquent (c)
1987	**$ 79.8**	**$ 64.7**	**1.09%**	**$209.1**	**3.47%**	**0.61 %**
1986	73.0	58.5	1.09	194.3	3.62	0.74
1985	57.1	38.3	0.78	189.4	3.92	0.70
1984	58.2	39.9	0.84	173.0	3.96	0.75
1983	87.5	66.9	1.54	186.2	4.49	0.96
1982	119.4	105.5	2.40	174.0	4.43	1.47

(a) Less offsetting recoveries.
(b) After deducting unearned finance charges.
(c) On a recency basis. Includes real estate secured loans and personal unsecured loans. Excludes receivables of West German bank.

As a percentage of average receivables, net chargeoffs were unchanged at 1.09%, or $64.7 million, compared to 1.09%, or $58.5 million, in 1986 and remain at a quite low absolute level. Chargeoffs for real estate secured loans (63% of the portfolio) actually declined both absolutely and as a percentage of average receivables, while some increase in net chargeoffs was experienced in unsecured personal loans, reflecting continuing losses due to consumer bankruptcies. On a geographic basis, chargeoffs were highest in the "oil patch" states of Texas, Louisiana and Oklahoma and in Colorado. Beneficial's reserve for credit losses was 3.47% at year-end 1987, covering full-year chargeoffs more than three times, an extremely conservative ratio by industry standards.

Net chargeoff ratios in 1984 and 1985 were reduced by particularly large recoveries of previously-charged off loans in those years, reflecting heavy chargeoffs in the 1980-82 period. Gross chargeoffs (before recoveries) as a percentage of receivables are only modestly higher (at 1.35%) in 1987 than they were in 1984 (1.23%) and 1985 (1.17%).

Consumer Loan Delinquency
(percent)



Beneficial Mortgage Corporation

Beneficial Mortgage Corporation (BMC), the Company's mortgage bank subsidiary, engages in the origination and servicing of residential first mortgage loans. These loans, which are subsequently sold to institutional investors, are solicited by Beneficial consumer loan offices and through five regional, stand-alone branches of the mortgage company. Integrating the unique advantages of our national loan office system into the BMC strategic marketing plan is expected to lower mortgage orgination costs to Beneficial.

BMC experienced a difficult year in 1987. Secondary marketing losses were suffered in the second quarter due to the dramatic interest rate swings that occurred during the first few days of April. In the second half of the year, industry volume declined precipitously. Accordingly, BMC sustained a significant pre-tax loss for the full year.

Operations at BMC have now been rationalized with a new top management team installed and the level of overhead expense significantly reduced to reflect decreased industry volume. BMC will operate in a carefully controlled manner in accord with reduced industry volume, with a significantly reduced pipeline exposure.

Conservatively priced first mortgage loans are considered to be a potentially valuable addition to the array of loan products available to consumers through the Beneficial loan office network. They enable Beneficial to cross-sell another important loan product to existing customers and, importantly, to establish a long-term relationship with both new and existing customers.

Through its operations over the last several years, the mortgage company has succeeded in building a highly valuable asset in the earnings stream inherent in its $854 million servicing portfolio at year end 1987 (up from $515 million at the end of 1986).

Beneficial Savings Bank

Beneficial Savings Bank (BSB), a Florida-based, federally chartered savings bank, represents an experiment in consumer banking. Now with 11 branches (chiefly in the Tampa and Orlando areas) and $94 million in assets at year end, BSB affords Beneficial the opportunity to test the concept of a "consumer bank" as a means of delivering financial services to consumers, as opposed to our traditional loan office distribution channel. While BSB is modestly profitable, results of the test are still inconclusive. It remains unclear whether there are specific advantages to providing services to consumers through a banking mode. 1988 is expected to be an important year for BSB, during which conclusions can be drawn about the true advantages/disadvantages of the evolving concept of a "consumer bank."

Central National Life Insurance Company of Omaha

The Central National Life Insurance Company of Omaha (CNL) is Beneficial's credit insurance underwriter and major remaining insurance subsidiary. CNL is a full-line specialized credit insurance writer offering credit life and accident and health coverages. The company ranks among the industry leaders in the highly specialized consumer credit insurance market.

CNL's products are marketed chiefly through the domestic Beneficial finance office network, and the Beneficial business generates the lion's share of the company's earnings. During 1987, CNL cut back dramatically the number of outside accounts that it markets credit insurance through, retaining only the most profitable relationships, which are chiefly located in the middle-Atlantic and New England regions of the country. While premiums written through outside accounts will, accordingly, be dramatically lower in 1988, the outside business will be profitable on a fully allocated basis.

CNL's premiums written increased to $129.3 million from $93.9 million in 1986. However, $46.9 million of 1987's premiums results from reserve transfers associated with the divestiture of Western National Life and Northwestern Security Life, which were subsidiaries of CNL in the Beneficial organizational structure. Excluding the impact of these reserve transfers, 1987 premiums written would have been $82.4 million, down $11.5 million from 1986. This decrease reflects the refocusing of outside marketing activities related to CNL's independent credit business, as well as declines in CNL's miscellaneous non-credit related lines brought about by the cancellation and run-off of various blocks of business determined to be of minimal value prospectively to the company. Very favorable results were achieved through the Beneficial loan office network as premiums written rose 41.1% to $53.2 million (excluding $7.5 million of the above-mentioned reserve transfer) from $37.7 million in 1986.

CNL's net income more than doubled to $19.4 million from $9.8 million a year ago, including after-tax capital gains of $3.6 million in 1987 and $4.1 million in 1986. Investment income increased 12% to $18.9 million. CNL's investment portfolio is made up almost entirely of fixed-income obligations, chiefly "A-rated" or better. Municipal bonds represent the largest portion of the portfolio. The sharp improvement in CNL's 1987 earnings reflects a significant increase in underwriting profits related to the Beneficial business, the program of pruning unprofitable outside credit insurance accounts, and investment income from cash proceeds retained from divestiture of the Western National Life and Northwestern Security Life subsidiaries. During 1987, CNL paid upstream cash dividends to Beneficial Corporation of $196.2 million including $175.0 million proceeds from sale of subsidiaries. Additional cash dividends (although significantly less than in 1987) are anticipated in 1988.

Central National Life Net Income

(in millions)

**Excludes one-time benefit of the "fresh start" provisions of the Deficit Reduction Act.*

CNL enters 1988 in a very strong fundamental position with ample capital (the company is rated "A" by A. M. Best & Co.), a highly efficient processing operation and, most importantly, the Beneficial loan office network as its key distribution channel. Although credit insurance will remain the major source of its earnings, at some point in the future CNL may provide other life and annuity products to the Beneficial customer. The outlook for CNL is excellent.

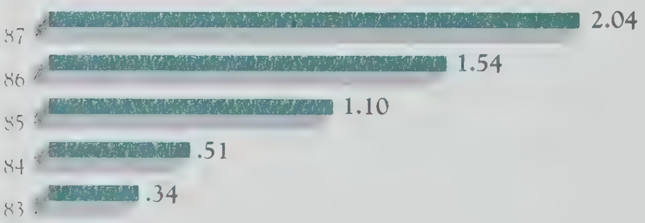
Beneficial also offers credit property insurance and selected other non-credit insurance products to its loan office customer through agency relationships with outside insurance carriers.

Beneficial National Bank

Beneficial National Bank (BNB), based in Wilmington, Delaware, is the Beneficial Corporation commercial banking subsidiary. BNB provides a full range of commercial and consumer banking services to small and medium-sized businesses and consumers in Delaware and surrounding markets. In addition, BNB provides significant corporate cash management and treasury services to Beneficial Corporation and its operating subsidiaries. BNB operates five full-service branches in Delaware.

BNB reported another excellent year in 1987 as net income increased 32% to $2.0 million from $1.5 million in 1986. Daily average assets increased to $190.6 million from $136.4 million in 1986. Return on average assets was 1.07%, with return on average equity of 16.81%. The bank's regulatory capital to assets ratio was a very strong 8.5% at year-end 1987.

Beneficial National Bank Net Income
(in millions)



At December 31, 1987, total loans outstanding, excluding participations sold to other institutions, were $118 million, up 16% from the prior year. Approximately 78% of total loans are loans to small and medium-sized businesses in the local Delaware market. Reserve for loan losses was 1.30% at year end, with net chargeoffs only .26% of average loans outstanding during the year. The credit quality of the loan portfolio continues to be excellent.

The retail deposit base increased significantly during the year due to success in introducing and marketing unique variable-rate certificate of deposit products. Total savings and time deposits (excluding certificates of deposit of $100,000 and more) increased to $46 million at year end from $25 million at the end of 1986, an increase of 84%.

Because of its distinct nature as a commercial bank, BNB has been treated as a nonconsolidated subsidiary in Beneficial Corporation's financial statements. Only BNB's net income has been included, on the equity method, as part of "other revenue." However, due to a recent change in accounting rules (FASB #94), BNB will be consolidated in Beneficial's financial statements beginning with the first quarter of 1988.

Beneficial's ownership of this full-service commercial bank enables the Corporation to enjoy cash management efficiencies. All disbursements through the consumer finance loan office network, as well as all checks written by customers on revolving credit lines sold through the loan office network, are drawn on BNB. Consumer finance system office deposits are made at regional banks and are electronically transferred and concentrated at BNB on a daily basis. Additionally, a full range of banking services, including deposit accounts, wire transfer, and check processing, are provided to the Company.

Throughout 1988, Beneficial National Bank will continue to increase its retail banking base and commercial business relationships. BNB differentiates itself by emphasizing and providing high levels of personalized assistance and the best total value to its customers through a "sales-driven culture." Financial performance is expected to continue to be strong in the future.

Real Estate Investments

Beneficial Corporation invests in real estate development primarily through its subsidiary, Harbour Island, Inc., the principal project of which is a mixed-use, master-planned development located in Tampa, Florida. The 177-acre island development, located just south of the city's central business district, includes a 200,000-square foot office building, a retail market, a 300-room hotel, athletic club, luxury and moderate-income condominiums, as well as boating facilities. In 1987 an agreement was signed with the Trammell Crow Co. of Dallas, Texas, the nation's leading residential and commercial development company, in which Trammell Crow assumes the managing partner role in the future development of Harbour Island. Trammell Crow's real estate development and management expertise adds an important, valuable element to Harbour Island and improves the operating outlook for the project. Beneficial, which has provided the principal financial support for the community's development, through its Harbour Island, Inc. operating subsidiary, retains ownership of Harbour Island, as well as ownership of the existing office building, hotel, waterfront retail center and unsold residential condominium units. Enterprise Development Company of Columbia, Maryland is responsible for management of the retail market.

Tampa remains a vibrant, rapidly growing city, and all factors appear to be in place for the profitable long-term development of Harbour Island. Long-term prospects for the island were enhanced when, in late 1987, ground was broken for a 577,000-square foot convention center directly across the channel and adjacent to the bridge to the island. However, in this start-up phase, the island is generating a substantial pre-tax accounting loss on Beneficial's income statement. Transactions are currently being analyzed that would serve to reduce the operating deficit in 1988. Moreover, as mentioned, the addition of Trammell Crow as managing partner adds a particularly important level of expertise to efforts to realize the island's remaining outstanding inherent long-term value.

Also, subsidiaries of Beneficial Corporation own 800 acres of prime real estate surrounding the Peapack, NJ office complex. Plans for the development of approximately 500 acres of this parcel are currently in preparation. When completed, plans will be presented for approval to appropriate local and municipal authorities. Once approval is obtained, Beneficial plans to sell or joint-venture development rights to the property in order to maximize profit over the longer term.

Balance Sheet

(in millions) December 31	1987	1986
Assets		
Cash and Equivalents	$ 65.7	$ 121.0
Finance Receivables (net of unearned finance charges) (Note 6)	6,033.7	5,373.8
Allowance for Credit Losses	(209.1)	(194.3)
Net Finance Receivables	5,824.6	5,179.5
Investments (Note 7)	335.4	285.8
Property and Equipment (at cost, less accumulated depreciation of $46.2 and $43.4)	128.9	138.4
Investments in and Advances to Discontinued Operations (Note 3)	84.6	1,104.5
Other Assets (Note 8)	490.0	431.1
Total	$6,929.2	$7,260.3
Liabilities and Shareholders' Equity		
Short-Term Debt (Note 9)	$2,058.2	$2,103.0
Deposits Payable (includes employee thrift deposits)	188.7	158.1
Long-Term Debt (Note 10)	3,152.8	3,678.8
Total Interest-Bearing Debt	5,399.7	5,939.9
Accounts Payable and Accrued Liabilities (Note 11)	449.7	333.4
Insurance Policy and Claim Reserves	194.5	178.9
Total Liabilities	6,043.9	6,452.2
Redeemable Preferred Stock (Notes 12 and 13)	75.0	91.7
Other Preferred Stock (Note 12)	115.3	115.4
Common Stock (60.0 shares authorized; 22.4 and 22.9 shares issued and outstanding) (Note 12)	22.4	22.9
Additional Capital (Note 12)	59.8	78.8
Net Unrealized Gain (Loss) on Equity Securities (Note 7)	(2.8)	2.0
Accumulated Foreign Currency Translation Adjustments (Note 15)	(10.3)	(12.7)
Retained Earnings	625.9	510.0
Total	$6,929.2	$7,260.3

See Notes to Financial Statements.

Statement Of Income And Retained Earnings

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1987	1986	(in millions, except per share amounts)	1987	1986	1985
		Net Finance Revenue			
$268.7	$ 248.3	Finance Charges and Fees	$1,031.0	$ 975.1	$907.3
120.1	111.2	Interest Expense (Note 3)	470.9	439.0	432.4
148.6	137.1	Lending Spread	560.1	536.1	474.9
		Other Revenue			
38.4	(4.6)	Insurance Premiums	102.9	90.6	142.5
14.4	–	Interest Income from Tax Settlement (Note 2)	54.4	–	–
4.3	18.4	Other	53.2	69.7	60.5
205.7	150.9	Total	770.6	696.4	677.9
		Operating Expenses			
50.5	48.0	Salaries and Employee Benefits	205.4	191.6	177.3
23.3	(12.7)	Insurance Benefits	51.8	52.3	98.3
19.7	26.3	Provision for Credit Losses (less recoveries)	69.0	64.2	53.2
60.1	66.1	Other (Note 16)	226.6	246.8	222.7
153.6	127.7	Total	552.8	554.9	551.5
52.1	23.2	**Income from Continuing Operations before Income Taxes**	217.8	141.5	126.4
15.4	16.2	Provision for Income Taxes (Note 18)	77.6	64.3	53.9
36.7	7.0	**Income from Continuing Operations before Extraordinary Items and Cumulative Effect of Accounting Change**	140.2	77.2	72.5
		Discontinued Operations, after Income Taxes (Note 3)			
–	1.7	Income (Loss)	2.0	(136.4)	36.1
–	(131.8)	Loss on Disposal	–	(131.8)	(7.4)
–	(130.1)	Income (Loss) from Discontinued Operations	2.0	(268.2)	28.7
36.7	(123.1)	**Income (Loss) before Extraordinary Items and Cumulative Effect of Accounting Change**	142.2	(191.0)	101.2
(1.7)	–	Extraordinary Items (Note 4)	32.4	–	–
–	19.4	Cumulative Effect of Accounting Change (Note 5)	–	19.4	–
35.0	(103.7)	**Net Income (Loss)**	174.6	(171.6)	101.2
604.7	628.0	Retained Earnings, Beginning of Period	510.0	741.7	700.6
(13.8)	(14.3)	Dividends Paid	(58.7)	(60.1)	(60.1)
$625.9	$ 510.0	**Retained Earnings, End of Period**	$ 625.9	$ 510.0	$741.7
		Earnings (Loss) per Common Share			
$ 1.49	$ .14	Continuing Operations	$ 5.58	$ 2.77	$ 2.52
–	(5.77)	Discontinued Operations	.09	(11.93)	1.30
(.07)	–	Extraordinary Items	1.42	–	–
–	.86	Cumulative Effect of Accounting Change	–	.86	–
$ 1.42	$ (4.77)	**Earnings (Loss) per Common Share**	$ 7.09	$ (8.30)	$ 3.82
$ 31.9	$(107.2)	**Earnings (Loss) Available for Common Shares**	$ 161.2	$(186.8)	$ 84.5
$ .50	$ .50	**Dividends per Common Share**	$ 2.00	$ 2.00	$ 2.00
22.7	22.5	**Average Common Shares Outstanding**	22.7	22.5	22.1

See Notes to Financial Statements.

Financial Condition

The Company's leverage (the ratio of funded debt to total equity, including redeemable preferred stock) improved to 6.10 times at the end of 1987 from 7.35 times at year-end 1986. This substantial improvement occurred as a result of the receipt of net cash proceeds of almost $1.2 billion (including the repayment of intercompany debt) by Beneficial from the divestitures of certain of the Company's subsidiaries not directly related to the traditional consumer finance activities. In 1986 the Board of Directors of Beneficial evaluated a wide range of strategic alternatives, including the possible sale of the Company, and decided in December 1986 to concentrate its activities on its core consumer finance business. To this end, the Company has sold its credit card operation, an annuity company, its property and casualty companies, and a credit insurance subsidiary. Also, substantially all of the receivables of a commercial finance subsidiary making loans to small businesses were sold in 1987, as were most of the Company's leverage lease portfolio. Substantially all of the proceeds were used to reduce debt and to fund growth in the consumer finance business.

Finance receivables increased $660 million, or 12%, during 1987. An increase of $401 million in real estate secured loans represented the largest portion of the gain. Personal unsecured loans experienced growth of $245 million during the year aided by an $87 million acquisition by the Company's West German subsidiary. At December 31, 1987, finance receivables totaled $6.0 billion. The finance receivables mix was 63% real estate secured, 30% personal unsecured, and 7% sales finance contracts.

The allowance for credit losses as a percentage of finance receivables at December 31, 1987 was 3.47%, compared to 3.62% at year-end 1986. The reserve levels are conservative by industry standards and at year-end 1987 covered the full year's chargeoffs more than three times. At year end, loan balances more than two months delinquent on a recency basis were .61%, improved from .70% of outstandings at September 30, 1987, and .74% at the end of 1986.

Results of Operations

Finance charges and fees have been on an upward trend due to strong receivable growth. However, the gross rate continues to be under pressure, declining to 18.34% in 1987, from 19.18% in 1986 and 20.00% in 1985. The drop in yield reflects increased competition for real estate secured products and a shift in the receivable portfolio mix to a higher percentage of variable-rate products, which currently bear lower rates of charge. Variable-rate products are generally funded with lower-cost, short-term debt.

Interest expense has increased over the past several years as a result of higher borrowing levels necessary to support receivable growth. However, as a percentage of average receivables, interest rates have been declining, averaging 8.38% in 1987, 8.63% in 1986 and 9.53% in 1985. The primary reason for the decline in rates is due to a higher level of lower-cost short-term debt borrowings necessary to fund the variable-rate asset products. In the latter part of 1987 interest expense also benefited from the cash inflow from sales of divested subsidiaries.

The dollar amount of the lending spread has increased due to the higher level of receivables. As a percentage of average receivables, however, the spread declined to 9.96% in 1987 from 10.55% in 1986 as the drop in yield was not entirely offset by a drop in interest expense. The 1986 spread increased slightly from 10.47% in 1985 as interest rates declined more rapidly than the gross rates.

During the second quarter of 1987, the Federal Circuit Court of Appeals reversed a prior ruling by a lower court and endorsed the formula used by the Company to determine its reserve for uncollectible accounts on tax returns filed for 1976 and 1977. As a result of this favorable judgment, the Internal Revenue Service paid the Company $83.0 million representing a refund for overpayment of taxes in those years and interest to the date of repayment. The interest portion ($54.4 million) is included in income for the year ended December 31, 1987.

The provision for credit losses increased in 1987, 1986, and 1985 because of higher chargeoffs on a larger amount of finance receivables. Net chargeoffs for 1987 increased to $64.7 million (1.09% of average receivables) from $58.5 million (1.09% of average receivables) in 1986 and $38.3 million (.78% of average receivables) in 1985. The year 1985 bene-

fited from a much higher amount of recoveries of receivables written off in earlier years.

Other operating expenses for the year-ended December 31, 1987 declined from 1986 by 8%. Lower advertising costs represented the largest decrease, with smaller variances spread among various captions.

The effective tax rates on income before income taxes were 35.6%, 45.4% and 42.6% in 1987, 1986, and 1985. The statutory rates were 40% for 1987 and 46% for 1986 and 1985. The rates during all three years were lower than the U.S. statutory rates because of tax exempt investment income, available federal income tax credits and differences between U.S. and foreign tax rates. In addition, a tax-sharing agreement with the divested property and casualty insurance subsidiary reduced the effective tax rate by 9% in 1987.

Income from continuing operations was up significantly in 1987. The improvement is largely due to interest income from the previously mentioned tax settlement and a lower effective tax rate. Income from continuing operations increased in 1986 and declined in 1985. The changes in income were due largely to fluctuations in the effective tax rate discussed above. In addition, 1987 and 1986 earnings benefited from a higher gross margin resulting from a higher level of receivables.

The Company's net income in 1987 increased because of higher income from continuing operations, the absence of losses from discontinued operations, and the net benefit of extraordinary items. The extraordinary items consist of the use of a tax loss carryforward and a loss on early retirement of debt. The Company's net income fell in 1986 due to operating losses from discontinued operations and losses on the disposal of these operations, which more than offset a $19.4 million benefit from the cumulative effect of adopting the accrual basis of revenue recognition for its consumer finance revenue. Net income declined in 1985 due to a higher level of expenses and the absence of tax benefits which were available in 1984.

The ratio of earnings to fixed charges (based on income from continuing operations) was 1.41 to 1 in 1987, 1.29 to 1 in 1986 and 1.28 to 1 in 1985.

Changes in Financial Position

The Company's principal sources of cash generally are collections of finance receivables, proceeds from the issuance of long and short-term debt, and cash provided from operations.

One of the Company's financial strengths is its ability to raise long-term debt in a wide variety of domestic and international markets. The Company has strong liquidity because of access to world-wide credit sources, as well as regular cash collections.

As a percentage of average balances, monthly cash principal collections from customers were 3.68% in 1987, down from 4.06% in 1986 due to the fact that 1986 had a greater level of mortgage refinancing.

The primary source of short-term funds for the Company is commercial paper supported by bank lines of credit and revolving credit lines. The total of all lines of credit is $2,216 million, with $1,849 million in the form of committed multi-year revolving credit facilities. At December 31, 1987, the unused portion of all lines of credit was $1,941 million.

As previously discussed, the Company received net proceeds of almost $1.2 billion from the divestiture of certain subsidiaries not directly related to consumer finance activities. About $679 million of the proceeds were repayment of intercompany debt. A significant portion of the proceeds was used to pay down maturing long-term debt.

Also, during the second half of 1987, the Company repurchased $241 million principal amount of its long-term debt in the open market. The average coupon rate on this debt was 10.88%, with an average remaining maturity of 17 years.

During the fourth quarter of 1987, the Company repurchased 594,100 of its common shares at an average price per share of $35.99. This stems from a stock buyback program announced by the Company following the stock market's severe correction in October 1987.

During 1985 the Company received $300 million from the sale of Western Auto Supply Company and Subsidiaries.

Beneficial's principal uses of cash generally are loans to customers, repayments of maturing debt, operating expenses, and dividends paid to shareholders.

STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1987	1986	(in millions)	1987	1986	1985
		Cash Provided by Operating Activities			
$ 36.7	$ 7.0	Income from Continuing Operations	$ 140.2	$ 77.2	$ 72.5
		Items Not Requiring Cash Outlay			
2.4	(29.9)	Increase (Decrease) in Insurance Reserves	15.6	(25.3)	6.5
23.4	29.8	Provision for Credit Losses (before recoveries)	84.1	79.0	81.0
(21.0)	(7.2)	Provision (Benefit) for Deferred Income Taxes	(24.0)	10.4	3.8
(4.2)	.3	Other	31.8	30.7	39.4
37.3	0.0	Cash Provided by Operating Activities	247.7	172.0	203.2
		Financing Activities			
311.5	276.0	Short-Term Debt	(44.8)	857.7	411.2
24.6	(4.0)	Deposits Payable	30.6	(76.0)	(8.4)
2.4	20.7	Long-Term Debt Issued	74.5	322.2	271.1
(86.6)	(135.3)	Long-Term Debt Repaid	(656.6)	(588.5)	(361.9)
(21.4)	–	Repurchase of Company Common Stock	(21.4)	–	–
(16.7)	(16.6)	Redemption of Redeemable Preferred Stock	(16.7)	(16.6)	(16.7)
67.2	(1.8)	Accounts Payable	55.8	2.9	22.6
		Dividends Paid			
(2.6)	(2.9)	Preferred	(13.4)	(15.2)	(16.7)
(11.2)	(11.4)	Common	(45.3)	(44.9)	(43.4)
267.2	124.7	Cash Provided (Used) by Financing Activities	(637.3)	441.6	257.8
		Investing Activities			
(268.9)	(259.7)	Finance Receivables (before chargeoffs and foreign currency fluctuations)	(640.2)	(549.4)	(500.4)
43.6	68.8	Other Receivables	52.0	(111.0)	(2.9)
11.3	37.5	Investments	(54.4)	(3.2)	(96.9)
(19.1)	37.2	Investments in and Advances to Discontinued Operations	(50.3)	123.2	(269.9)
53.6	–	Net Proceeds from Sales of Discontinued Operations	1,171.1	–	300.4
(7.3)	(7.7)	Property and Equipment (net of disposals)	(7.5)	(38.5)	(21.0)
(101.4)	77.8	Other	(136.4)	66.9	(13.0)
(288.2)	(46.1)	Cash Provided (Used) in Investing Activities	334.3	(512.0)	(603.7)
16.3	78.6	**Increase (Decrease) in Cash and Equivalents**	(55.3)	101.6	(142.7)
49.4	42.4	Cash and Equivalents at Beginning of Period	121.0	19.4	162.1
$ 65.7	$ 121.0	**Cash and Equivalents at End of Period**	$ 65.7	$ 121.0	$ 19.4

See Notes to Financial Statements.

Notes To Financial Statements
(in millions, except per share amounts)

1. Summary of Significant Accounting Principles and Practices

a) Basis of Consolidation. The consolidated financial statements include, after intercompany eliminations, the accounts of all significant subsidiaries except real estate development ventures, a small commercial bank and discontinued operations, which are included under the equity method of accounting.

Certain prior period amounts have been reclassified to conform with the 1987 presentation.

b) Finance Operations. The financial statements, except for consumer finance revenue for 1985, are prepared on the accrual basis. Finance charges and unearned discount are recognized as income using the interest method or methods which produce similar results. Income is not accrued on any loans which are delinquent over 30 days.

Accounts known to be uncollectible are charged off. Real estate secured receivables are reviewed individually by management, and a determination is made as to their collectibility. In general, other receivables are automatically charged off after no payment has been made for six months. For all types of loans, collection efforts are generally continued.

c) Insurance Operations. The Company's insurance subsidiaries are engaged in writing credit life and credit accident and health insurance. Premiums on credit life insurance are taken into income using the sum-of-the-digits method when the insured amounts decrease with collections, or using the straight-line method over the lives of the policies in the case of level-term contracts. Premiums on credit accident and health are generally taken into income using an average of the sum-of-the-digits and the straight-line methods. Policy reserves for credit life and credit accident and health are equal to related unearned premiums. Credit accident and health reserves are adjusted to reflect claim experience.

d) Valuation of Investments. Debt securities are carried at amortized cost; equity securities are generally carried at market value; other investments are carried at cost. The adjustment of the carrying amount of marketable equity securities from cost to market value is recorded directly in shareholders' equity through a valuation allowance.

e) Amortization of Excess Cost of Net Assets Acquired. Excess cost applicable to acquisitions is generally being amortized over 40 years.

f) Earnings per Common Share. Earnings per common share are computed by deducting dividend requirements on preferred stocks from net income and dividing the remainder by average shares outstanding and their equivalents. None of the preferred stocks are common stock equivalents.

2. Interest Income from Tax Settlement

During the second quarter of 1987, the Federal Circuit Court of Appeals reversed a prior ruling by a lower court and endorsed the formula used by the Company to determine its reserve for uncollectible accounts on tax returns filed for 1976 and 1977. As a result of this favorable judgment, the Internal Revenue Service paid the Company $83.0 representing a refund for overpayment of taxes in those years and interest to the date of repayment. The interest portion ($54.4) is included in income for the year ended December 31, 1987. The tax refund portion ($28.6) relates only to the timing of tax payments and does not affect recorded tax expense.

3. Discontinued Operations

In December 1986, the Company adopted a plan for a comprehensive restructuring of the Company, which resulted in the Company concentrating principally on its core consumer finance business and selling non-core subsidiaries. The Company completed the sales of its property and casualty and international insurance subsidiaries in May 1987; its credit card operation and an annuity company in July 1987; a credit insurance subsidiary in September 1987; and most of the receivables of a subsidiary making loans to small businesses in March 1987. The net loss on disposal and the net loss from operations through November 30, 1986 of these operations are included in Discontinued Operations in the 1986 income statement.

The Company decided in June 1987 to sell its tax advantaged leveraged leasing portfolio and, as a result, reached agreements in August to sell substantially all of its leveraged leases. Accordingly, the Company's leasing subsidiary is included in discontinued operations. On a combined basis, this transaction and the disposals referred to above resulted in no gain or loss on disposal for 1987.

In 1985 the Company sold its Merchandising Division, Western Auto Supply Company and Subsidiaries, for $343.9, including the repayment of all intercompany accounts. The transaction resulted in a loss on disposal of $7.4 (after an income tax benefit of $4.3) or $.34 per share. The loss on disposal and the income from operations prior to September 30, 1985, are included in discontinued operations in the income statement.

The investments in and advances to discontinued operations are set forth on the balance sheet at estimated net realizable value.

The combined net assets related to discontinued operations are as follows:

December 31	1987	1986
Assets		
Finance Receivables (net)	$ 24.6	$1,350.0
Investments	16.3	2,587.1
Other Assets	108.7	402.6
Total	149.6	4,339.7
Liabilities		
Deposits Payable	–	431.9
Insurance Policy and Claim Reserves	19.3	2,351.7
Other Liabilities	45.7	451.6
Total	65.0	3,235.2
Investments in and Advances to Discontinued Operations	$ 84.6	$1,104.5

Combined operating results related to discontinued operations are as follows:

	1987	1986	1985
Revenue	$4.0	$ 967.0	$1,463.8
Costs and Expenses	2.2	1,199.1	1,416.5
Income Taxes (Benefits)	(.2)	(95.7)	11.2
Net Income (Loss)	$2.0	$ (136.4)	$ 36.1

Operations of the Company's various businesses are generally funded by corporate borrowings, rather than by the individual business units. Actual interest expense incurred is allocated to the business units based on their intercompany balances. During 1987, 1986, and 1985, interest expense of $35.6, $87.5 and $82.1, which was allocated to discontinued businesses, has been offset against interest expense of the related corporate borrowings of the Company.

4. Extraordinary Items

For the year ended December 31, 1987, the Company's financial statements reflect the use of $105.0 of its net operating loss carryforward, resulting in an extraordinary tax credit of $41.4.

Also, beginning in the third quarter of 1987, the Company used a portion of the cash proceeds from the sales of its discontinued subsidiaries to retire long-term debt prior to scheduled maturities. At December 31, 1987, a total of $240.7 of long-term debt had been extinguished at a premium of $9.0 (net of an income tax benefit of $6.0). This after-tax premium has been classified as an extraordinary loss in the income statement.

5. Change in Accounting Principle

In 1986 the Company adopted the accrual basis for recording consumer finance revenue to conform to practice prevalent in the financial services industry. Previously, finance charges on discounted loans were generally taken into income as earned and collected under the sum-of-the-digits method. Interest from interest-bearing direct cash loans was taken into income as collected. The cumulative effect of the change in accounting principle was $35.9 pre-tax and $19.4 after-tax. Had the change been made prior to 1986, it would not have had a material effect on the results of any of the periods presented.

The Financial Accounting Standards Board (FASB) issued a statement on accounting for income taxes in December 1987. The FASB requires implementation of the statement in 1989 although earlier application is encouraged. The Company is still assessing the impact of this statement on its financial statements and has not yet decided whether to adopt in 1988 or 1989. When adopted, the most significant impact of the statement on the Company's financial statements is expected to be the provisions relating to recognition of deferred tax benefits.

The new statement requires deferred tax benefits to be "adjusted in the period of enactment for the effect of an enacted change in tax laws or rates." Because the Company has recorded deferred tax benefits when statutory income tax rates were higher than they are currently, the Company expects to reverse a portion of the deferred tax benefits it had previously recorded. In addition, after consideration of adjustments for changes in tax laws or rates, the deferred tax benefits will be limited to such amounts which could be realized in future periods by carryback to reduce taxes paid in prior or current periods.

Other statements issued and not yet adopted relating to loan fees and costs, consolidation of subsidiaries, and reporting cash flows are not expected to have a material impact upon adoption.

6. Finance Receivables

Finance receivables, net of unearned finance charges of $331.9 and $326.7, and maximum term in months from origination are as follows:

	Amount		Maximum Term	
December 31	**1987**	1986	**1987**	1986
Real Estate Secured Loans	**$3,773.0**	$3,372.1	**180**	180
Personal Unsecured Loans	**1,804.7**	1,559.7	**120**	120
Sales Finance Contracts	**456.0**	442.0	**60**	60
Total	**$6,033.7**	$5,373.8		

Scheduled contractual payments of finance receivables to be received after December 31, 1987 are as follows:

	1988	1989	1990	1991	Beyond
Real Estate Secured Loans	19%	13%	12%	13%	43%
Personal Unsecured Loans	43	29	15	5	8
Sales Finance Contracts	75	16	6	1	2
Overall	31	19	13	9	28

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal of finance receivables amounted to $2,410.1 for 1987 and $2,392.1 for 1986.

The percentage of monthly cash principal collections to average balances was 3.68% for 1987 and 4.06% for 1986.

7. Investments

Investments, principally long-term investments of the Company's credit life insurance subsidiary, consist of the following:

December 31	**1987**		1986	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Debt Securities				
Municipal	**$170.4**	**$158.8**	$157.6	$154.9
Corporate	**22.4**	**19.8**	25.7	25.8
Commercial Paper	**74.5**	**74.2**	7.0	7.0
Other	**39.0**	**37.5**	31.1	31.1
Equity Securities				
Preferred	**18.3**	**18.3**	45.6	45.6
Common	**2.3**	**2.3**	12.5	12.5
Other	**8.5**	**8.5**	6.3	6.3
Total	**$335.4**	**$319.4**	$285.8	$283.2

At December 31, 1987, the portfolio of equity securities, having a cost of $23.4, reflects unrealized gains of $.1 and unrealized losses of $2.9. The cost of investments sold is determined on the specific cost identification basis.

8. Other Assets

December 31	1987	1986
Mortgage Loans Held for Resale	$ 13.0	$ 97.7
Accrued Investment Income	22.3	22.0
Deferred Tax Benefits	63.4	43.4
Excess Cost of Net Assets Acquired	24.7	25.3
Prepaid Expenses	15.9	11.0
Property Acquired by Foreclosure	10.8	12.0
Insurance Premiums Receivable	27.6	9.5
Unamortized Insurance Policy Acquisition Costs	45.9	34.5
Unamortized Long-Term Debt Expense	11.1	16.0
Unamortized Software Costs	23.1	18.2
Investments in and Advances to Real Estate Development Ventures	165.0	94.8
Other	67.2	46.7
Total	$490.0	$431.1

The investment in real estate development ventures represents the investment of a subsidiary, Harbour Island Inc., in a mixed-use, master planned development located in Tampa, Florida. The development currently includes a hotel, an office building, a retail market, an athletic club, and condominiums. In November 1987, Harbour Island Inc. entered into a limited partnership with an international real estate developer relating to future development of the Island. As the limited partner, Harbour Island Inc. has committed the undeveloped property and certain improvements and the athletic club to the partnership.

9. Short-Term Debt

Short-term debt outstanding, of which 85.4% and 91.1% of the total at December 31, 1987 and 1986 is payable in U.S. currency, consists of the following:

December 31	1987	1986
Bank Borrowings	$ 285.2	$ 449.6
Commercial Paper	1,773.0	1,653.4
Total	$2,058.2	$2,103.0

At December 31, 1987, the Company maintained committed revolving credit facilities totaling 110% of its outstanding domestic commercial paper.

The unused portion of bank lines of credit at December 31, 1987 and 1986 is $1,940.9 and $1,645.6. Generally, domestic lines of credit provide for a fee of ¼% per annum on the lines.

Average interest rates (including the costs of maintaining lines of credit) on borrowings outstanding at year end are as follows:

	1987	1986	1985
Bank Borrowings	8.23%	8.66%	9.94%
Commercial Paper	8.39	6.89	8.23

The weighted-average annual interest rates (including the costs of maintaining lines of credit) and additional data for short-term debt are as follows:

	1987	1986	1985
Maximum Amount at Any Month End	$2,288.8	$2,114.3	$1,310.0
Daily Average Amount	1,989.9	1,622.7	965.9
Average Interest Rates on Borrowings during the Year			
U.S. Dollar	7.27%	7.05%	8.69%
Other Currencies	8.20	9.87	11.26
Overall	7.38	7.40	9.17

10. Long-Term Debt

Long-term debt outstanding is as follows:

December 31	1987	1986
By Currency		
United States	$2,964.5	$3,562.1
Canadian	131.7	96.8
West German	93.2	73.6
Unamortized Discount	(36.6)	(53.7)
Total	$3,152.8	$3,678.8
By Maturity		
1987	$ –	$ 493.0
1988	415.7	235.5
1989	442.0	442.6
1990	460.8	416.7
1991	299.8	363.2
1992	263.7	249.3
1993–1997	779.1	847.7
1998–2002	224.0	225.0
2003–2007	220.8	309.5
2008–2013	83.5	150.0
Unamortized Discount	(36.6)	(53.7)
Total	$3,152.8	$3,678.8
Subordinated Debt Included Above	$ 50.0	$ 50.0
Weighted-Average Annual Interest Rate on Debt Outstanding at End of Year	10.06%	9.93%

The weighted-average interest rates during the twelve months ended December 31 were as follows:

	1987	1986
U.S. Dollar Borrowings	10.00%	10.09%
Other Currency Borrowings	9.15	9.41
Overall	9.95	10.06

Long-term debt at December 31, 1987 includes $172.3 for which the holder may elect payment prior to maturity. Such debt is shown above in the earliest year it could become payable.

11. Accounts Payable and Accrued Liabilities

December 31	1987	1986
Accounts Payable	$ 91.5	$ 84.9
Accrued and Deferred Compensation	39.3	39.0
Accrued Interest	100.5	110.7
Accrued Pension Cost	28.5	–
Income Taxes Payable	29.6	34.6
Dealer Reserves	12.7	14.9
Debt Guarantee Obligation	83.2	–
Other	64.4	49.3
Total	$449.7	$333.4

The Company was obligated under a debt guarantee to pay off debt relating to a project associated with a discontinued operation. This obligation was paid off in January 1988. Such obligation was considered in the determination of loss on discontinued operations in 1986, and the asset acquired is included in the investments in discontinued operations at December 31, 1987 (Note 3).

12. Capital Stock

The number of shares of capital stock is as follows:

Issued and Outstanding	December 31 1987	1986
Preferred—no par value (issuable in series). Authorized, 500,000 9.25% Series Redeemable Preferred—$1,000 stated value.	**75,002**	91,668
Preferred—$1 par value Authorized, 2,500,000	**-**	-
5% Cumulative Preferred—$50 par value. Authorized, 585,730	**407,718(a**	407,718(a
$5.50 Dividend Cumulative Convertible Preferred—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $4,173,400 and $4,619,600). Authorized, 1,164,077	**41,734**	46,196
$4.50 Dividend Cumulative Preferred—$100 par value. Authorized, 103,976	**103,976**	103,976
$4.30 Dividend Cumulative Preferred—no par value—$100 stated value. Authorized, 1,069,204	**836,585**	836,585
Common—$1 par value. Authorized, 60,000,000	**22,393,151(b**	22,948,929(b
After deducting treasury shares		
a) 5% Cumulative Preferred	**178,012**	178,012
b) Common	**4,802,066**	4,226,214

At December 31, 1987, a total of 225,967 shares of Common Stock was reserved for conversion of the $5.50 Preferred and the 10.5% Convertible Instalment Notes. During the year, 18,248 treasury shares were issued upon conversion of the Notes.

In October 1987 the Board of Directors authorized the repurchase of up to 1,000,000 shares of Common Stock of the Company. Under such authorization, 594,100 shares were repurchased and added to treasury shares through December 31, 1987.

Additional capital was reduced by $19.0 during the year. The net change is comprised of a reduction of $20.8 relating to the repurchase of Common Stock and an increase of $1.8 relating to conversion of notes and issuance of treasury shares for corporate purposes.

13. Redeemable Preferred Stock

Dividends on the 9.25% Series Redeemable Preferred Stock, which are cumulative, are payable quarterly at $23.125 per share. Annually through November 15, 1999, the Company is required to redeem 8,333 shares of the stock through a sinking fund at $1,000 per share. Sinking fund payments are cumulative. The Company may, at its option, increase the sinking fund payment by 8,333 shares annually up to an aggregate of 43,750 shares. The Company redeemed 16,666 shares in each of the years ended December 31, 1987, 1986 and 1985. The Company has the right to redeem the stock beginning November 15, 1989 at an initial redemption price of $1,043.82 per share, declining ratably thereafter to $1,000 per share. Unless dividend and sinking fund payments on this stock are current, the Company may not pay dividends or make other distributions or purchase, redeem, or retire any issues of stock junior to this issue. Upon the arrearage of six quarterly dividends on any series of the Preferred Stock, the holders of the 9.25% Series Preferred Stock with the holders of other series of the Preferred Stock voting as a class would be entitled to elect two members of the Board of Directors.

14. Preferred Stock Purchase Rights

In November 1987, the Company declared a dividend distribution of one Preferred Stock Purchase Right for each outstanding share of Common Stock of the Company payable as of November 23, 1987 to stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of the Company's Series A Participating Preferred Stock at a price of $175, subject to adjustment under certain circumstances.

The Rights were paid to shareholders of record on the dividend date on the basis of one Right for each outstanding share of Beneficial Corporation Common Stock. They will expire 10 years later. Rights are also to be issued with all shares of the Company's Common Stock issued between November 23, 1987 and the earliest of the date the Rights become exercisable, expire or are redeemed. Until the Rights become exercisable, they will automatically trade with the Common Stock. If the rights become exercisable, separate certificates will be distributed and the Rights will begin to trade independently from the Company's Common Stock, but will at no time have voting power.

The Rights only will be exercisable ten days after public announcement that a person has acquired 20 percent or more of the Company's outstanding Common Stock or has made a tender offer for 30 percent or more of the Company's outstanding Common Stock.

If, at any time after the Rights become exercisable but before they expire or are redeemed, the Company is acquired in a merger or other business combination or sells 50% or more of its assets or earning power, the holder of a Right will be entitled to buy, at the exercise price, a number of shares of Common Stock of the acquiring or surviving company having a market value of twice the exercise price of each Right.

In addition, if a 20% or greater shareholder acquires the Company by means of a reverse merger in which the Company and its stock survive or engages in certain self-dealing transactions with the Company, or if a person acquires shares of the Company's stock having 35% or more of the general voting power, each Right not owned by the 20% or greater holder would become exercisable for a number of shares of Participating Preferred Stock of the Company having a market value of two times the exercise price of the Right. The Rights held by the 20% or greater holder would be denied the benefit of this adjustment.

The Rights may be redeemed by the Company for $.05 per Right at any time prior to the expiration of the Rights on November 23, 1997 or ten days (which period may be extended by the Board at any time prior to its expiration) after a public announcement that a person has acquired beneficial ownership of shares of the Company's stock having 20% or more of the general voting power.

15. Accumulated Foreign Currency Translation Adjustments

Assets and liabilities in foreign currencies are translated at the market rate at each balance sheet date. Foreign operating results are translated at the average market rate for each period covered by the statement of income.

An analysis of changes in accumulated foreign currency translation adjustments follows:

December 31	1987	1986
Balance at Beginning of Year	$(12.7)	$(13.6)
Adjustments for the Year	(12.9)	(4.9)
Income Taxes	15.3	5.8
Balance at End of Year	$(10.3)	$(12.7)

16. Other Expenses

December 31	1987	1986	1985
Occupancy	**$ 56.7**	$ 52.3	$ 46.7
Advertising	**16.4**	24.9	20.7
Commissions	**29.1**	31.6	36.4
Telephone	**17.0**	16.6	15.1
Depreciation	**17.0**	14.8	14.1
Travel	**10.4**	11.7	9.8
Printing	**11.2**	11.1	9.8
Provision for Restructuring Costs	**–**	10.2	–
Postage	**8.3**	7.9	7.0
Other	**60.5**	65.7	63.1
Total	**$226.6**	$246.8	$222.7

17. Employee Retirement Plans

The Company has a non-contributory pension plan covering substantially all of its employees in the United States. The benefits provided are based on the employee's years of service and average compensation during the highest three consecutive years of earnings. The Company has made annual contributions at least equal to the amounts accrued for retirement expense. Pension plans for the Company's subsidiaries outside the United States are immaterial. Plan assets are invested primarily in corporate bonds and short-term investments.

Effective January 1, 1987, the Company adopted Statements of Financial Accounting Standards (FAS) No. 87 and No. 88, and pension costs for 1987 are determined under these standards. Pension costs for 1986 and 1985 were determined under the provisions of previous accounting principles. Net pension expense for domestic operations was $4.3, $4.2, and $.1 for 1987, 1986, and 1985. The 1987 pension cost is not directly comparable to 1986 and 1985 because of the significant changes in accounting under FAS 87 and FAS 88.

Further, the Company funds a 401(k) savings plan under which basic contributions are made annually up to 2.5% of each eligible employee's annual compensation. Costs charged to income for the years ended December 31, 1987, 1986 and 1985 were $1.9, $2.5 and $2.5, respectively.

During 1983 the Company terminated its domestic retirement plan and replaced it with a restructured program providing the participants with equal or increased future retirement benefits. All participants in the terminated plan were 100% vested, and annuity contracts were purchased to provide benefits. Excess assets were returned to the Company, and amortized portions were used to reduce pension expense through 1986. The remaining unamortized gain at January 1, 1987 was included in the Company's adoption of FAS 87 and 88.

FAS 87 requires disclosures of the components of net periodic pension cost and of the projected benefit obligation. The projected benefit obligation is the actuarial present value of the portion of projected future benefits attributable to employee service to date, and the plan cost is that portion attributable to employee service during the year. This cost method recognizes the effect of future compensation levels in projecting the future benefits. The following table details the components of net pension expense:

December 31	1987
Service Cost	$ 2.0
Interest Cost on Projected Benefit Obligation	3.4
Actual Return on Plan Assets	(1.1)
Net Periodic Pension Cost	$ 4.3

The plan's funded status and amounts recognized in the Company's balance sheet are as follows:

December 31	1987
Accumulated Benefit Obligation	$ 20.4
Projected Benefit Obligation for Service Rendered to Date	$ 46.0
Less Plan Assets at Fair Value	14.8
Projected Benefit Obligation in Excess of Plan Assets	31.2
Less Unrecognized Net Gain from Past Experience Different from that Assumed	2.7
Accrued Pension Cost Included in Other Liabilities	$ 28.5

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8.5% and 5.5%, respectively. The estimated long-term rate of return on assets was 9%.

18. Income Taxes

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including eligible discontinued operations. Income taxes, whether payable currently or in the future, are provided on reported earnings.

U.S. income taxes have not been provided at December 31, 1987 on $32.5 of undistributed earnings of foreign subsidiaries, which are expected to be permanently invested in foreign countries, and on $78.3 of undistributed earnings of life insurance subsidiaries accumulated as policyholder's surplus under tax laws in effect prior to 1984.

The provision for income taxes for continuing operations is comprised of the following:

	1987	1986	1985
Current			
U.S.	$74.4	$34.1	$33.2
Foreign	17.7	14.2	9.0
Total	92.1	48.3	42.2
Deferred			
U.S.	(18.9)	12.3	3.5
Foreign	(5.1)	(1.9)	.3
Total	(24.0)	10.4	3.8
State and Local	9.5	5.6	7.9
Total Provision for Income Taxes	$77.6	$64.3	$53.9

Deferred income taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes. The tax effects of the principal timing differences are as follows:

	1987	1986	1985
Differences Between Cash and Accrual Basis	$ (7.5)	$ 5.8	$8.0
Insurance Benefits Provided	(2.4)	.6	(2.0)
Tax Depreciation in Excess of Book Depreciation	3.5	3.2	1.5
Reserve for Credit Losses	(19.9)	(1.1)	(.6)
Deferred Retirement Plan Credits	.9	2.3	2.3
Restructuring Costs	2.0	(4.3)	–
Insurance Policy Acquisition Costs	4.2	(.1)	.4
Other	(4.8)	4.0	(5.8)
Total Provision (Benefit) for Deferred Income Taxes	$(24.0)	$10.4	$3.8

A reconciliation of the provision for income taxes at the statutory U.S. income tax rate to the tax provision as reported follows:

	1987	1986	1985
Statutory U.S. Tax Rate	40.0%	46.0%	46.0%
Increase (Decrease):			
Differences between U.S. Rate and Effective Foreign Tax Rates	(1.0)	(.9)	(5.1)
Non-Taxable Investment Income	(1.3)	(2.9)	(2.2)
Foreign Tax Credit	1.9	1.8	–
Investment Tax Credit	–	(.6)	(.6)
State and Local Income Taxes	2.5	2.0	2.2
Tax Sharing Agreement with Divested Insurance Subsidiary	(9.0)	–	–
Other	2.5	–	2.3
Effective Tax Rate	35.6%	45.4%	42.6%

The Company entered into an agreement with American Centennial Insurance Company (ACIC) whereby the Company compensated ACIC for tax losses generated by ACIC in 1987 which could be utilized on the Company's consolidated tax return. The tax savings generated by such losses exceeded the amounts paid to ACIC.

19. Geographic Information

Operations of the Company are conducted through subsidiaries primarily in the United States. Operations outside the U.S. are conducted through subsidiaries in Canada, the United Kingdom and West Germany. In 1985 the Company sold operations in New Zealand and Ireland with finance receivables totaling $32.7. These operations were sold for approximately net book value.

Data by geographic area is shown in the following tabulation:

	United States	Other	Inter-Company Eliminations	Total
1987				
Revenue	**$1,099.4**	**$151.7**	**$ (9.6)**	**$1,241.5**
Income before Income Taxes	**202.1**	**15.7**	**–**	**217.8**
Assets	**6,136.3**	**877.4**	**(84.5)**	**6,929.2**
1986				
Revenue	1,024.4	120.0	(9.0)	1,135.4
Income before Income Taxes	128.5	13.0	–	141.5
Assets	6,688.4	615.5	(43.6)	7,260.3
1985				
Revenue	1,009.1	110.8	(9.6)	1,110.3
Income before Income Taxes	118.1	8.3	–	126.4

Net liabilities denominated in foreign currencies were $115 and $127 at December 31, 1987 and 1986.

20. Leases

The Company's consumer finance system operates from premises under leases generally having an original term of five years with a renewal option for a like term. The Company leases its headquarters in Wilmington, Delaware, under a lease expiring in 1993. Also, a subsidiary leases an office complex with a primary term expiring in 2010 and renewal options totaling forty-seven years. Data processing equipment lease terms range from two to five years and are generally renewable. The minimum rental commitments under noncancelable operating leases at December 31, 1987 are as follows:

1988	$ 40.7
1989	37.6
1990	34.2
1991	30.9
1992	28.0
1993–1997	127.7
1998–2011	345.3
Total	$644.4

21. Contingent Liabilities

The Company and certain of its present and former officers and directors, together with certain officers of subsidiaries of the Company, are defendants in three lawsuits seeking unspecified money damages relating to the restructuring of the Company and the operations of an insurance subsidiary prior to its disposition. The Company is of the opinion that such lawsuits are without merit.

22. Selected Financial Data

Selected unaudited financial data required by the Securities and Exchange Commission are included in the Five-Year Summary—Supplemental Information, page 42 and in the Data by Calendar Quarter—Supplemental Information, page 43.

Accountants' Opinion

The Board of Directors and Shareholders of Beneficial Corporation

We have examined the balance sheets of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1987 and 1986 and the related statements of income and retained earnings and changes in financial position for each of the three years in the period ended December 31, 1987. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Beneficial Acceptance Corporation (a consolidated subsidiary), which statements reflect revenue of $10.2 million for the year ended December 31, 1985. We also did not examine the financial statements of the Merchandising Division, the equity in net assets and net income of which are included in discontinued operations. The financial statements of the aforementioned company and division were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such company and division, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors referred to above, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1987 and 1986 and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in 1986 in the method of accounting for interest income on finance receivables as described in Note 5 to the financial statements.

DELOITTE HASKINS & SELLS

Morristown, New Jersey
February 17, 1988

Five-Year Summary

Supplemental Information					
(in millions, except where noted)	**1987**	1986	1985	1984	1983
During The Year					
Net Income (Loss)					
Income from Continuing Operations	**$ 140.2**	77.2	72.5	91.5	70.9
Income (Loss) from Discontinued Operations	**$ 2.0**	(268.2)	28.7	14.8	34.7
Extraordinary Items	**$ 32.4**	–	–	–	–
Cumulative Effect of Accounting Change	**$ –**	19.4	–	–	–
Net Income (Loss)	**$ 174.6**	(171.6)	101.2	106.3	105.6
Earnings (Loss) per Common Share (dollars)					
Continuing Operations	**$ 5.58**	2.77	2.52	3.36	2.41
Discontinued Operations	**$ .09**	(11.93)	1.30	.66	1.55
Extraordinary Items	**$ 1.42**	–	–	–	–
Cumulative Effect of Accounting Change	**$ –**	.86	–	–	–
Earnings (Loss) Per Common Share	**$ 7.09**	(8.30)	3.82	4.02	3.96
Average Number of Common Shares	**22.7**	22.5	22.1	22.2	22.4
Dividends Paid per Common Share (dollars)	**$ 2.00**	2.00	2.00	2.00	2.00
Revenue	**$1,241.5**	1,135.4	1,110.3	1,089.2	1,052.4
Interest	**$ 470.9**	439.0	432.4	432.4	383.0
Lending Spread	**$ 560.1**	536.1	474.9	460.0	453.2
Lending Spread as a % of Cash Invested	**9.96**	10.55	10.47	10.68	11.69
Provision for Credit Losses (less recoveries)	**$ 69.0**	64.2	53.2	45.5	75.8
Total Expenses	**$1,023.7**	993.9	983.9	950.7	940.1
Income before Income Taxes	**$ 217.8**	141.5	126.4	138.5	112.3
% of Monthly Cash Principal Collections to Average Monthly Balances	**3.68**	4.06	3.76	3.34	3.79
% of Finance Receivables Charged Off (less recoveries) to Average Monthly Balances	**1.09**	1.09	.78	.84	1.54
At Year End					
Finance Receivables (net of unearned finance charges)	**$6,033.7**	5,373.8	4,832.7	4,368.6	4,142.4
Allowance for Credit Losses	**$ 209.1**	194.3	189.4	173.0	186.2
Total Assets	**$6,929.2**	7,260.3	6,955.7	6,527.7	5,940.2
Short-Term Debt	**$2,058.2**	2,103.0	1,245.3	834.1	506.8
Long-Term Debt	**$3,152.8**	3,678.8	3,908.6	3,967.1	3,841.7
Redeemable Preferred Stock	**$ 75.0**	91.7	108.3	125.0	125.0
Shareholders' Equity (including redeemable preferred stock)	**$ 885.3**	808.1	1,042.0	992.8	953.0
% of Allowance for Credit Losses to Finance Receivables	**3.47**	3.62	3.92	3.96	4.49
% of Finance Receivables with Payments more than Two Months Delinquent — Loans only (based upon recency of payment)	**.61**	.74	.70	.75	.96
Number of Accounts	**1.7**	1.7	1.6	1.5	1.5
Average Balance — Loans only (dollars)	**$ 5,494**	4,962	4,433	4,069	3,741
Number of Holders of Common Shares	**18,500**	19,200	23,700	25,700	27,400
Number of Employees	**6,600**	6,800	6,700	6,300	6,400
Number of Offices	**1,074**	1,106	1,114	1,151	1,343

Data By Calendar Quarter

Supplemental Information

1987 (in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 275.5	$335.6	$304.6	$325.8	$1,241.5
Income before Income Taxes	$ 44.1	$ 73.2	$ 48.4	$ 52.1	$ 217.8
Net Income					
Income from Continuing Operations	$ 25.7	$ 48.2	$ 29.6	$ 36.7	$ 140.2
Income from Discontinued Operations	1.1	.9	–	–	2.0
Extraordinary Items:					
Use of Tax Loss Carryforward	12.1	23.6	5.7	–	41.4
Early Retirement of Debt	–	–	(7.3)	(1.7)	(9.0)
Net Income	$ 38.9	$ 72.7	$ 28.0	$ 35.0	$ 174.6
Earnings (Loss) per Common Share					
Continuing Operations	$ .98	$ 1.96	$ 1.15	$ 1.49	$ 5.58
Discontinued Operations	.04	.05	–	–	.09
Extraordinary Items:					
Use of Tax Loss Carryforward	.53	1.04	.24	–	1.81
Early Retirement of Debt	–	–	(.32)	(.07)	(.39)
Earnings (Loss) per Common Share	$ 1.55	$ 3.05	$ 1.07	$ 1.42	$ 7.09
Common Stock					
High Sales Price	$ 64.50	$61.25	$62.50	$57.75	
Low Sales Price	55.50	45.75	53.25	31.50	
Dividends Paid per Share	.50	.50	.50	.50	$ 2.00

1986 (in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	$ 292.3	$294.7	$ 286.3	$ 262.1	$1,135.4
Income before Income Taxes	$ 35.9	$ 35.4	$ 47.0	$ 23.2	$ 141.5
Net Income (Loss)					
Income from Continuing Operations	$ 20.6	$ 20.7	$ 28.9	$ 7.0	$ 77.2
Income (Loss) from Discontinued Operations	8.9	7.9	(154.9)	(130.1)	(268.2)
Cumulative Effect of Accounting Change	–	–	–	19.4	19.4
Total	$ 29.5	$ 28.6	$(126.0)	$(103.7)	$ (171.6)
Earnings (Loss) per Common Share					
Continuing Operations	$ .75	$ .75	$ 1.13	$ .14	$ 2.77
Discontinued Operations	.39	.36	(6.91)	(5.77)	(11.93)
Cumulative Effect of Accounting Change	–	–	–	.86	.86
Total	$ 1.14	$ 1.11	$ (5.78)	$ (4.77)	$ (8.30)
Common Stock					
High Sales Price	$ 55.25	$54.75	$ 78.00	$ 78.50	
Low Sales Price	47.125	45.00	44.50	52.75	
Dividends Paid per Share	.50	.50	.50	.50	$ 2.00

Beneficial Corporation

Finn M. W. Caspersen
Chairman of the Board of Directors and Chief Executive Officer

David J. Farris
Member of the Office of the President and Chief Operating Officer

Andrew C. Halvorsen
Member of the Office of the President and Chief Financial Officer

James H. Gilliam, Jr.
Senior Vice President, General Counsel and Secretary

William H. H. Ely, Jr.
Senior Vice President and Treasurer

Thomas P. McGough
Senior Vice President – Financial Controls and Controller

Bruce A. Olster
Senior Vice President – Audit/Tax

Maryann W. Schneider
Senior Vice President – Planning and Administration

Beneficial Management Corporation

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President and Chief Executive Officer

Senior Vice Presidents

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Operating

Charles E. Hance
General Counsel

J. Edward Kerwan
Data Processing

W. James Murphy
Operating

David B. Ward
Government Relations

Group Presidents

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Northwest Group

John France
United Kingdom Group

James L. Frans
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Peter J. Gimino, Jr.
Southwest Group

J. C. Heywood
North Central Group

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Southern Group

Kendall D. Kelley
Mid-Atlantic Group

Forrest B. Kinney
Gulf Coast Group

Francis X. Mohan
Northeast Group

Manfred E. Niebisch
Canadian Group

Beneficial National Bank

James W. Wright
President and Chief Executive Officer

Beneficial Mortgage Corporation

Jeffrey D. Robinson
President and Chief Executive Officer

Benevest Group Inc.

Ronald S. Belcher
President

The Central National Life Insurance Company

Daniel R. O'Brien
President and Chief Executive Officer

Beneficial Savings Bank, FSB

Kenneth A. Reyes
President and Chief Executive Officer

Directors

Charles W. Bower (3)
Retired; former Senior Vice President and Treasurer of Beneficial Corporation

Robert C. Cannada (3,4,5)
Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada, Jackson, Mississippi

Finn M. W. Caspersen (1,2)
Chairman of the Board of Directors and Chief Executive Officer

David J. Farris (1)
Member of the Office of the President and Chief Operating Officer

James H. Gilliam, Jr. (1)
Senior Vice President, General Counsel and Secretary

Andrew C. Halvorsen (1,2)
Member of the Office of the President and Chief Financial Officer

J. Robert Hillier (4,6)
Architect and businessman, The Hillier Group, Inc., Princeton, NJ

Gerald L. Holm (4)
Consultant to the Company; former Vice Chairman of Beneficial Corporation

Steven Muller (6)
President, Johns Hopkins University, Baltimore, Maryland

Susan Julia Ross (3,6)
Attorney at Law, Natelson and Ross, Taos, New Mexico

Robert A. Tucker (2,3)
Retired; former Member of the Office of the President and Chief Financial Officer of Beneficial Corporation

E. Norman Veasey (3,5)
Attorney at Law, Richards, Layton & Finger, Wilmington, Delaware

Susan M. Wachter (3,6)
Associate Professor of Finance, The Wharton School, University of Pennsylvania, Philadelphia, Pennsylvania

Charles H. Watts, II (3,5,6)
Educational and business consultant, McLean, Virginia

K. Martin Worthy (4,5)
Attorney at Law, Hamel & Park, Washington, D.C.

Directors Emeriti

Cecil M. Benadom

Elbert N. Carvel

Freda R. Caspersen

George R. Evans

J. Thomas Gurney

Modie J. Spiegel

Arthur T. Ward

Ralph B. Williams

(1) Member of Executive Committee (Finn M. W. Caspersen, Chairman)
(2) Member of Finance Committee (Andrew C. Halvorsen, Chairman)
(3) Member of Audit Committee (Charles H. Watts, II, Chairman)
(4) Member of Compensation Committee (K. Martin Worthy, Chairman)
(5) Member of Corporate Policy Committee (E. Norman Veasey, Chairman)
(6) Member of Nominating Committee (J. Robert Hillier, Chairman)

Corporate Information

Beneficial Corporation is a direct issuer of commercial paper to institutional and other corporate investors. Notes are sold in amounts of $100,000 or more, for maturities of 5 to 270 days at competitive market rates. Daily rates are posted nationally on the TELERATE SYSTEM next to the symbol "BNL." For further information call (201) 781-3614.

Media representatives and others seeking general information about the Company should contact Ms. Deborah Veasey at (201) 781-3882.

Security analysts, portfolio managers, and other investors seeking financial information about the Company should contact Mr. William H. H. Ely, at (201) 781-3609 or Mr. John R. Engelhardt at (201) 781-3613.

Morgan Shareholder Services Trust Company, New York is both registrar and transfer agent for all classes of Beneficial Corporation common and preferred stock. Address changes, security transfer matters, and the Dividend Reinvestment Service can be handled by phone. The number of Morgan's telephone response center is (212) 587-6515. Their mailing address is 30 West Broadway, New York, NY 10007

Copies of the Company's 10-K report to the SEC are available upon request from Mr. James H. Gilliam, Jr. Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Wednesday, May 18, 1988 at 11:00 a.m. in the Company's headquarters, 400 Bellevue Parkway, Wilmington, Delaware.

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Beneficial®

Annual Report 1987